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#### Asylum seekers

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# FINANCIAL TIMES

Europe's Business Newspaper

MONDAY NOVEMBER 16 1992

D8523A

## GM plans mutual aid deal to parts suppliers

General Motors, the big US carmaker in the throes of radical restructuring, is trying to hire some of its parts manufacturers into an unusual form of co-operation. It would involve the parts suppliers setting up operations inside GM plants and using GM labour. The "strategic insourcing" scheme is aimed at helping cut costs in GM's loss-making North American operations. Page 17

**Crash kills 10 in Germany** At least 10 people died and 52 were injured when a German passenger train hit a derailed freight wagon at Northeim on the main Frankfurt-Hamburg line. Rescuers feared more people were trapped beneath a passenger coach. Picture, Page 2

**Britain 'breaking EC law'** Britain is breaking European Community law by putting too many controls on continental TV programmes broadcast into the UK by satellite, the European Commission says. Internal market commissioner Martin Bangemann has given London two months to respond to the charge. Page 18

**German asylum moves** Leaders of Germany's Social Democrats supported party chairman Björn Engholm's drive for tougher German laws on political asylum. A special party convention is to decide whether Social Democrats will back constitutional amendments to change the asylum law.

**Warning to Unita** Angola's government warned the opposition movement Unita that a new parliament would be convened with or without its participation. "We cannot continue to be prisoners of a party that lost the elections," said deputy foreign minister Johnny Pinck Eduardo. Page 2

**Upbeat on US growth** Bill Clinton's US election victory has made three quarters of leading British institutional investors more optimistic about prospects for US growth, according to a stockbrokers' survey. Page 17

**UK tax rise not ruled out** Norman Lamont, Britain's chancellor of the exchequer, refused to rule out introducing higher taxes in his spring Budget. He also warned that UK unemployment, currently at 2.6m, would go on rising. Page 16

**Air France protests** Air France president Bernard Attali has protested to EC competition commissioner Sir Leon Brittan that he favoured recent British Airways takeover bids to the detriment of the French airline. Page 1

**Middle East peace** Israel will not consider Palestinian demands for talks about independence for the occupied territories until the question of interim self-government is resolved, Israeli foreign minister Shimon Peres said in Egypt. Mubarak in talks. Page 4

**European Monetary System** The French franc has moved up one place in the European Monetary System's grid, in spite of last week's cut in the Bank of France's two main dealing rates. The franc overtook the Danish krone to move into fourth place in the grid, just below the D-Mark. Its improved performance signals that dealers are awarding a premium to currencies whose central bank cuts interest rates to try to stimulate growth. Currencies, Page 29

**EMI Grid** November 13, 1992

8 Francs	1250	1150	1050	950	850	750	650	550	450	350	250	150	50	10
5 Francs	1000	900	800	700	600	500	400	300	200	100	50	25	10	5
DMark	1000	900	800	700	600	500	400	300	200	100	50	25	10	5
F Franc	1000	900	800	700	600	500	400	300	200	100	50	25	10	5
D.Krone	1000	900	800	700	600	500	400	300	200	100	50	25	10	5
Irish Punt	1000	900	800	700	600	500	400	300	200	100	50	25	10	5
Euro	1000	900	800	700	600	500	400	300	200	100	50	25	10	5
Peseta	1000	900	800	700	600	500	400	300	200	100	50	25	10	5

The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice currencies in the narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. The Spanish peseta and Portuguese escudo operate with 5 per cent fluctuation bands.

**\$3.7m verdict** A federal jury in Tampa, Florida, ordered US carmaker General Motors to pay \$3.7m to a man paralysed in a 1988 road crash. The jury found GM negligent for failing to install rear-seat shoulder restraints.

**Suez Canal plan** Egypt has opted for a modest plan for expanding the 120-year-old Suez Canal. Sluggish world trade meant more ambitious proposals could not be supported, Suez Canal Authority chairman Mohammed Ezzat Adel said.

**Dutch crash victims seek compensation** Almost 200 Dutch victims of last month's EI Al 747 cargo jet crash have engaged a US law firm to pursue compensation from Boeing, the aircraft's manufacturer. Arthur Baillie of New York-based Speiser, Krause and Madole said his firm would first seek an out-of-court settlement.

**Tanker adrift off Malaysia** Marvin L, a Honduran-registered oil tanker, has been found drifting crewless and half submerged in the South China Sea off Malaysia. Officials said they had not received any distress calls.

**Indian floods** More than 230 people are thought to have died in a four days of torrential rain in the southern Indian state of Tamil Nadu.

**In the red** Finland's Communist party, one of the world's oldest, is filing for bankruptcy. Its debts and liabilities total about FIM50m (\$15.1m).

**Austria** \$2200 **Greece** Dr250 **Hungary** Ft112 **Iraq** Lira **Latvia** Ls100 **Lithuania** Dr1200 **Bulgaria** Bsf100 **Ireland** Ic100 **Morocco** MD15 **Singapore** S\$4.10 **Cyprus** Cc100 **Iceland** Kr200 **Nigeria** N1.20 **Sweden** Skr14 **Czech** Kcs12 **Iceland** Skr150 **Norway** Nkr1.60 **Syria** Sfr1.00 **Denmark** Dr1.14 **Iceland** Ls200 **Oman** Or1.50 **Syria** Sfr1.00 **Egypt** Es1.50 **Jordan** Jd1.50 **Papua New Guinea** Pk1.25 **Turkey** Dr1.25 **Holland** Fr1.20 **Korea** Wns1.20 **Philippines** Pek1.25 **Tunisia** Dr1.25 **France** Frf1.20 **Kuwait** Fis1.00 **Pakistan** Ps1.22 **Turkey** Ls1.00 **Germany** Dr1.20 **Lebanon** Usd1.22 **Portugal** Es1.20 **UAE** Dr1.20

## Dispute over trade talks revived by leaked report

By David Gardner in Brussels

A DOCUMENT leaked to a French newspaper from an alleged European Commission source yesterday revived the bitter dispute over EC concessions to the US on world trade three days before the resumption of crucial talks in Washington.

The document contains figures which purport to prove that Mr Ray MacSharry, EC agriculture commissioner, is going beyond the price and production cuts agreed under reforms of the Common Agricultural Policy (CAP) in

his farm trade negotiations with the US.

An official close to Mr MacSharry said it looked like a French attempt to undermine the negotiations. These "are certainly not official figures", he said, adding "it's a fabrication."

The leak comes just as the internal Commission battle over the General Agreement on Tariffs and Trade (GATT) and European agriculture appeared to have ended. Mr MacSharry returned as negotiator last Tuesday having angrily resigned, accusing Mr Jacques Delors, the Commission

president, of undermining the negotiations and siding with his native France.

EC-US talks aimed at settling their oilseeds row and agreeing farm subsidy cuts under the Uruguay Round of the GATT talks resume on Wednesday night in Washington.

The leaked document, carried by the Paris newspaper, Libération, confirms that the battleground will remain whether any GATT deal brought back from Washington is compatible with the CAP reform.

It claims that the 10m-tonne

capping on production of oilseeds being offered to the US by Mr MacSharry would require 21 per cent of land to be taken out of production, against the 15 per cent "set-aside" agreed now.

These projections were thrashed out by the member states - including France - in order to fix a budget for the new CAP.

However, France, under pressure from its farmers, has argued against a GATT deal on the terms being sought by the Commission. Paris claims that farmers will be faced with cuts beyond those agreed this year in the CAP

reform. Its main objection is that the 21 per cent cut in the volume of subsidised food exports prescribed by GATT will hit its big farm trade surplus.

France is expected to go on the offensive when EC farm ministers meet today, having last week lost its battle to get the Community to prepare for a trade war with the US.

Washington has announced \$300m in punitive tariffs from December 5 on EC food exports as a sanction on Community oilseeds subsidies, which have twice been condemned by the GATT.

## Zero growth forecast for western Germany

By Quentin Peel in Bonn

THE "five wise men" who give independent economic advice to the German government will today forecast a zero real growth rate for the western economy in 1993, the most pessimistic assessment of German economic prospects to date.

Although they expect a slight recovery in the economy in the second half of the year, this will not be enough to outweigh the downturn of the next six months, they say.

Unemployment in west Germany next year will rise about 340,000 from its present level of 1.83m. In east Germany it will be up by another 150,000 from the current 1.05m in spite of great efforts to soak up eastern job losses in job creation, short-time working and restructuring schemes.

The first details of the report of the "five wise men" - leading economics professors hired to give the government independent advice - were circulating in Bonn yesterday and provide significantly more pessimistic forecasts than the five leading economic institutes, which reported earlier this month.

The institutes predicted a 0.5 per cent growth rate for gross national product and gross domestic product in 1993, but stressed even that would require a clear relaxation in the Bundesbank's strict monetary policy, including lower interest rates.

Both reports are much more pessimistic than the government's own economics ministry,

which is still looking for western German growth of between 1.0 and 1.5 per cent next year, although this is already a reduction from the forecast of 2.5 per cent it made last June.

Gloom over Germany's economic prospects has grown rapidly in the past three months, as it has become evident that industrial orders were sharply down, including investment in plant

and equipment, and that there was no prospect of early relief from the export market.

As far as east Germany is concerned, the five wise men expect a growth rate of 6.5 per cent, compared with a forecast of 7.5 per cent from the economic institutes. They are believed to forecast an inflation rate of 3.5 per cent in the west and 8.5-9.0 per cent in the east (partly reflecting higher rents).

The wise men are expected to focus particularly on the failure of the 16 federal states (Länder) to curb their spending to the same extent as the central government. Instead of keeping to a maximum budget spending of 3.0 per cent next year, they say, it will be 3.5-4.0 per cent.

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tariff cuts

FINANCIAL TIMES MONDAY NOVEMBER 16 1992

NEWS: INTERNATIONAL

US denies that west has failed to keep its promises over financial help for Moscow

## Russia told to get its reform act together

By George Graham in Washington

THE US administration is growing increasingly irritated by complaints that the west has failed to keep promises to help Russia, and wants President Boris Yeltsin's government to follow through on the economic reforms it must put in place before more money can be provided.

"The issue is one of Russian reform, not of the extent to which the west has been responsible. The ball lies primarily in their court," said a senior US Treasury official.

US and other western officials have been piqued by criticism voiced mostly by economic advisers to the

Russian government such as Professor Jeffrey Sachs of Harvard University and Professor Anders Aslund of the Stockholm Institute of East European Economics.

The latter last week accused the west of hypocrisy and indecision in failing to provide funds to support Mr Yeltsin's economic reform programme and said western nations suffered from a "prejudice that Russia can only be ruled by a Stalin in the Kremlin".

US Treasury officials reject this charge. They say the west has lived up to the \$24bn aid programme announced in April by President George Bush and Chancellor Helmut

Kohl in partnership with their partners in the Group of Seven leading industrial nations.

Around \$1bn of the G7 package was to come from bilateral aid; finance ministry officials say they are on course to meet that goal by the end of the year. In addition, the US is pushing hard for the rapid completion of a debt rescheduling to strengthen Mr Yeltsin's hand before the Russian congress convenes for a new session on December 1. If accomplished, this debt package would go further than the \$2.5bn of relief originally projected under this heading in the G7 deal.

The only parts of the \$24bn package

which have not yet materialised are funds from multilateral institutions. The biggest portion, some \$4bn, was to come from the International Monetary Fund, but Russia has so far received only a preliminary credit tranche of \$1bn.

Western financial officials blame Russia for not only failing to produce an economic programme to support a full IMF standby agreement, but for missing even the economic targets set as conditions for the first credit tranche.

Government spending has not been brought under control, and new credits to state-controlled enterprises in the third quarter alone exceeded the target set for the whole of the second half of this year.

The multilateral financing is contingent not on what the west does but on what Russia must first do," a senior US official said.

Moreover, a \$5bn ruble stabilisation fund included in the G7 package cannot be set up until a standby agreement has been achieved, and has clearly been pushed off into the future, the official said.

Details of the rescheduling deal has not yet been worked out, but US officials say that they are making good progress in talks with the other G7 members and hope to reach an agreement this month.



WHITE RUSSIAN: President Boris Yeltsin takes a tennis break from political problems. The ball is firmly in his court, say US officials, if he wants more economic help from the west.

## Yeltsin and industry leaders cement alliance

By Leyla Boultou in Moscow

RUSSIA'S industrialists cemented a new alliance with President Boris Yeltsin at the weekend when they promised to support his market reform strategy in return for an agreement by the government to compromise on its policies.

After attending a congress of the Russian Union of Industrialists and Entrepreneurs on Saturday, the president said he had previously underestimated directors of state-owned plants as a source of support.

The industrialists' main lobby group in turn issued a statement supporting "the president's reform course" but demanding changes to avert "deindustrialisation", to provide decent living conditions for all, and to avoid mass

unemployment.

However, Mr Yeltsin, who two years ago likened a fatal compromise on the radical 500-Day Programme to "matting a hedgehog with a snake", insisted there were certain compromises he would not make. He told the industrialists that Rbtl trillion in fresh credits promised last week by Mr Viktor Gerashchenko, central bank chairman, would not be forthcoming because they would trigger hyperinflation.

He also ruled out any attempt to restore price controls or the old system of state orders under which the government supplies enterprises with the inputs they need to carry out state procurement. Both the latter are included in a programme presented by Civic Union, the opposition

umbrella group of which the industrialist lobby is a key component.

A compromise between the two sides is already being negotiated behind the scenes, and to a certain extent, achieved in everyday life with constant concessions by the government, which has all but given up its commitment to Polish-style shock therapy.

Before the industrialists even met, Mr Yegor Gaidar,

acting prime minister, asked Mr Anatoly Chubais, his deputy responsible for privatisation, to set up a task force with Mr Arkady Volsky, leader of the industrialists and key Civic Union figure. Its job will be to merge an alternative Civic Union programme with the government's latest anti-crisis plan.

The gathering, in a Moscow bearings factory, simply rubber-stamped the compromising

ahead of a critical session of the Russian super-parliament which will try to strip Mr Yeltsin of his emergency powers and his right to appoint the government when it meets on December 1. "This congress was only a small part in a great political game," said one of Mr Volsky's colleagues.

Meanwhile, General Pavel Grachev, defence minister, denied the government had been contemplating imposing

emergency rule. He said that emergency powers were needed to impose order in crisis spots such as North Ossetia and the former Chechen-Ingushetia, where up to 300 people have been killed in fighting over land between local ethnic groups. Mr Dzhokhar Dudayev, self-styled leader of breakaway Chechnya, declared his readiness at the weekend to fight the Russian army if it intervened.

## Brussels considers steel aid proposals

By Andrew Hill in Brussels

THE European Commission may ask east and central European countries to impose export taxes on steel production under a draft plan to protect Community manufacturers from cheap imports.

It is also considering ways of strengthening protective measures, such as duties on steel "dumped" in the Community, and safeguarding clauses in existing political and trade agreements with Hungary, Poland and Czechoslovakia.

Commissioners will debate the plan to help the ailing EC steel industry on Wednesday in Strasbourg. It should include the offer of Ecu240m (£185m) over three years to help lay off or retrain as many as 50,000 steelworkers, plus further funds for plant closures and rationalisation.

EC steelmakers last month called for a far-reaching programme of political, commercial and financial assistance and will lobby commissioners before their meeting.

Brussels officials failed on Friday to decide whether such a plan could be funded from the existing budget and reserves of the European coal and steel treaty, as well as structural funds. But there is greater consensus among commissioners on capacity cuts - which would be based on a consultancy report to the industry - and so-called "external" measures.

The Commission's trade and external affairs directorate is understood to have suggested an export tax as one solution to the problem of cheap non-EC imports. However, some officials feel this would be at odds with the EC's attempts to encourage free trade with eastern Europe and the ex-Soviet Union and would almost certainly be rejected by the countries concerned.

## Swiss set to vote down entry to EEA

By Andrew Hill in Brussels

SWISS VOTERS look likely to defy their government and reject membership of the 19-nation European Economic Area (EEA) in a referendum on December 6, Reuter reports from Geneva.

A survey in two local newspapers showed that only six, mainly French-speaking, cantons favoured the EEA, while another seven, all German-speaking and mostly in central Switzerland, continued to be strong opponents. The remaining 10 cantons were previously evenly divided on the issue.

• Three days before Sweden's parliament votes on ratification of EEA membership, an opinion poll yesterday confirmed growing opposition among voters to European Community entry.

According to the newspaper survey, women who fear a continued erosion of the welfare state are noticeably more sceptical than men. It said that in October, opponents of the EC leapt to 43 per cent from 38 per cent in April-May. Supporters dwindled to 35 per cent from the previous 36 per cent.

The findings confirmed a trend reported two weeks ago by another poll.

Mr Carl Bildt, the prime minister, has promised to hold a referendum on EC membership by 1994.

## Finnish state groups under scrutiny

By Christopher Brown-Humes in Stockholm

THE FINNISH government has appointed a group of foreign and domestic financial institutions to consider the future of five state-owned companies.

The companies are: Kamira, chemicals (100 per cent state-owned); Outokumpu, mining and metals (57 per cent); Valmet, paper machinery and engineering (73 per cent); Ilmarinen Voima Oy (IVO) (65 per cent) and Kemijoki Oy (77 per cent), power generation.

The government is looking to expand the ownership base of all five companies and is keen to ensure they have adequate financial resources for their development.

Mr Markku Tapiola, deputy head of the industry department, said the government wanted to receive reports from the financial institutions involved by late spring.

Finland has already earmarked Neste, the oil and petrochemicals group, for privatisation.

• The Finnish Communist Party, which has played an important role in the country's history, yesterday decided to file for bankruptcy. It is a victim of Finland's deep recession and of share investments gone bad, Reuter reports.

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## NEWS: INTERNATIONAL

SGS-Thomson emboldened by \$2bn cash injection over five years

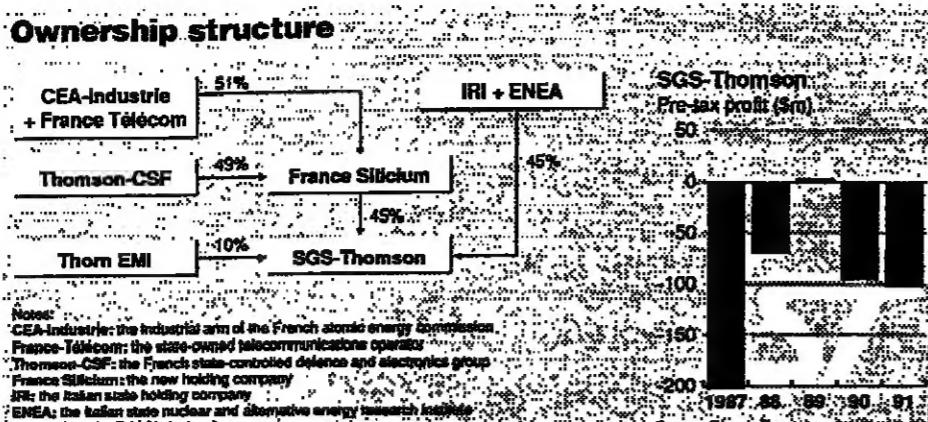
# Microchip maker launches fresh search for partner

By William Dawkins in Paris

**SGS-THOMSON (ST)**, Europe's only independent maker of microchips, is to relaunch its search for a big electronics industry partner, emboldened by a promise of \$2bn (£1.3bn) over the next five years from its French and Italian state owners.

The French government is urging the group to seek a share exchange alliance with a leading customer or semiconductor producer, following last week's agreement on the package. The pact brought to a climax a year's intense debate between an eager France and a cautious Italy.

"Now that the public shareholders have shown their confidence in SGS-Thomson, the group can relaunch discussions with other groups. It could be a European client or components supplier or even a Japanese or US company," said a senior



Note: CEA-Industrie: the industrial arm of the French atomic energy commission.

France Télécom: the state-owned telecommunications operator.

Thomson-CSF: the state-owned television and radio equipment group.

France Siliconium: the new holding company.

IRI: the Italian state holding company.

ENEA: Italian state nuclear and alternative energy research authority.

Thorn EMI: the British precision group.

Source: SGS-Thomson

French industry official.

ST tried to entice Philips and Siemens, the Dutch and German electronics group, to join forces last year, but they were not interested.

They had industrial reasons for making other plans, but officials admit that doubts over Italy's ability to

support ST through Rome's public spending crisis made the company a poor prospective partner.

This is by far the largest investment in ST to date and involves \$1bn of fresh capital plus \$1bn of state research and development grant. It will

more than wipe out ST's \$300m debts and pay for two-thirds of the group's investment needs for the period.

France has been an unfailing supporter of ST, the world's 12th largest microchip group and the third largest in Eproms, an increasingly important

kind of memory chip. Paris sees ST as the flagship of European attempts to resist Japanese domination of a strategically vital industry, a theme which commands sacred importance in French government circles. Italy, worried by its public spending crisis, was unsure until last week.

The cash will come equally from France and Italy, which each hold 45 per cent of ST through groups of state agencies led by their respective atomic energy bodies. The other player is Thorn-EMI, the British electronics group, which owns 10 per cent of ST and sees itself as a passive investor. Thorn-EMI says it will not buy new shares and thus is content to let itself be diluted to 6 per cent.

ST reckons the deal will enable it to fulfil its plans to

more than double its overall market share from the 2.2 per cent around which it has stagnated for more than a year, to 5 per cent. At this level, it would expect to be profitable enough to fund its own R&D and fight the industry leaders on equal terms. ST spends roughly a fifth of turnover on R&D - \$320m out of sales of \$1.6bn this year - well above the industry average.

It is a spectacular bet, even

by the standards of the French and Italian public sectors. It dwarfs the \$300m which ST's shareholders invested in the business at its birth five years ago, from the merger of two French and Italian state-owned semiconductor producers. Since then, ST has received no fresh equity capital, although it has benefited from European Community research programmes, a declining source of cash.

In the process, ST has built up nearly \$467m of accumulated net losses since 1987, having lost money in all but one of

the past five years. It now faces debt charges which wiped out operating profits several times over in 1991 and will allow it to make only a small net profit - if ST officials' hopes come true - this year.

Will the rescue work? There should at least be no problem in putting the plan into effect, says the French industry ministry.

It does not expect the European Commission to object to the rescue under state aid rules because government shareholders are as entitled as private ones to put cash into a commercially viable business and R&D grants are legitimate, the argument goes. Officials deny suggestions that part of the R&D grant is covert aid to pay for ST losses.

In any case, Brussels might hesitate to upset two important member states at a time when European unity is already shaky and when the European

Commission is about to undergo its four-yearly organisational upheaval as commissioners' mandates come up for renewal.

The first \$300m will be paid before Christmas, so ST's debt charges will fall from early next year. ST's operating costs are down too, thanks to a cut in staff numbers by 4,200 to 17,300 over the past two years.

All other things being equal, ST should therefore be able to produce a sizeable profits rise next year.

ST's current five-year plan, agreed at a recent meeting with its state shareholders, calls for a total investment of \$3bn, so it will have to find another \$1bn from its own funds.

French officials believe ST can generate enough cash to make this possible, now that its debts are to be paid. However, a new equity partner would clearly help.

## Leading players weigh up costs of an EC base

Michiyo Nakamoto assesses the complex forces affecting semiconductor manufacturers in Europe



IN THE Saxon town of Braunschweig, near Hanover, the ritual sake barrel was hammered open and toasts were exchanged in proper Japanese style, as Toshiba Semiconductor GmbH last month celebrated its tenth anniversary in Europe.

Several hundred yards away LSI Logic, the US semiconductor manufacturer, is preparing to move out of its state-of-the-art semiconductor plant and transfer production to Japan.

LSI's plant, like that of its neighbour, is an assembly and testing facility, although it specialises in customised microchips rather than memories which are Toshiba's main product.

The markedly different fate of the two plants reflects the complex forces affecting semi-

conductor manufacturers in Europe.

On the one hand, high labour costs, lack of supporting infrastructure and a weak customer base are seen by some manufacturers, including Philips and Siemens, as big obstacles to manufacturing in the European Community.

But companies such as Toshiba, Motorola and NEC claim that the strategic advantage of being located in Europe outweighs the costs.

The foreign companies have not necessarily been reaping the profits from their European operations. However, NEC and Toshiba, the world's fourth largest semiconductor company with a 25-year history in the region, are all expanding their facilities.

Intel, the US group, and Mitsubishi and Hitachi of Japan,

are also building production facilities within the EC.

Philips, however, the largest European semiconductor manufacturer, has moved assembly work to Asia for cost reasons, as has Siemens, and have left behind only high-end fabrication facilities.

Despite these differences, there are some common difficulties that face any semiconductor manufacturer in the EC. For example, manufacturing costs are higher than in the US, Japan or elsewhere in Asia.

Mr Heinz Hagmeister, head of the semiconductor division

at Philips, says: "The same [semiconductor] plant, of the same size, making the same product in the same production volumes will have 10 to 20 per cent higher costs in Europe than in the US and Japan, and more than

are more flexible than on the Continent, have higher costs because of the lack of a European equipment base and of high quality materials.

Most semiconductor manufacturing equipment must be imported from the US and double or triple the cost of a unit produced.

Maintenance is another problem. "If you get into trouble with machinery, it takes time to get expert help. In the US you get overnight assistance," says Mr Laurent Bousson, cor-

porate vice president of manufacturing at SGS-Thomson.

Europe also lacks suppliers of the extremely pure chemicals needed by manufacturers. Shipping these from Japan is twice as expensive as in the US.

Most semiconductor manufacturers need to meet EC local content rules.

Local manufacturers can respond more quickly to market trends and customer requirements. Demand for locally produced components by customers who themselves need to meet EC local content rules is another incentive.

European-based manufacturers also need to be close to their R&D facilities. SGS-Thomson, for example, makes advanced products in Europe, but "when the product matures we move it to the Asia-Pacific

region," says Mr Bousson.

Many foreign companies believe productivity gains and automation can offset the disadvantages of manufacturing in Europe. Both NEC and Motorola say productivity at their UK fabrication plants is competitive with other regions.

For companies which have a base in the US or Japan that serves as their main profits source and as a driving force for innovation, the difficulties encountered in Europe are perhaps surmountable.

But without the necessary infrastructure, competitive costs for supplies and market influence, the manufacturing environment in Europe may be most cruel to indigenous semiconductor companies, which wonder whether the benefits outweigh the disadvantages.

**The same plant making the same product in the same volumes will have 10 to 20 per cent higher costs in Europe than in the US or Japan'**

tion operations which require close contact with European R&D facilities.

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## Turkey seeks consensus on Kurds

By John Murray Brown  
In Ankara

THE suffering of the Kurds should not be used by outside powers as a pretext to partition Iraq, Iran warned over the weekend after a meeting of the foreign ministers of Turkey, Iran and Syria in Ankara.

A joint statement reiterated their shared concern about the evolution of a Kurdish state, despite repeated assurances from the Kurdish leadership that it does not seek to divide Iraq.

Mr Ali Akbar Velayati, Iranian foreign minister, said the situation in the Kurdish regions was chaotic, with a total absence of responsible government, despite the election of a Kurdish assembly in May. Mr Hikmet Cetin, Turkish foreign minister, warned the situation "should not become consolidated or legalised".

In the run-up to the Gulf war, Turkish President Turgut Ozal had warned Syria and Iran not to exploit the power vacuum if Iraq was defeated.

The latest meeting is the first time Turkey has broken ranks with its western allies by seeking a common stance with its regional neighbours on the Kurdish issue.

Iran and Syria both expressed concern about the "interference" of outside powers, an apparent reference to the air exclusion zone over Kurdish areas provided by British, French and US aircraft flying out of Turkish bases.

The UK has proposed a meet-



Turkish troops hoist the flag atop a hill they wrested from Kurdish dissidents in northern Iraq earlier this month

ing to discuss an extension of the operation, which must be approved again by the Turkish parliament this year. It is certain to join their power lines within two months, according to Turkey's official Anatolian news agency.

The project follows a protocol signed in Damascus in October to create a common grid among Turkey, Syria, Jordan, Egypt and Iraq.

Turkey is close to agreeing financing for a 620MW hydropower plant at Birlik on the Euphrates which will provide electricity to Aleppo in Syria - the first leg of this five-country project.

## Mubarak in talks with Israel

EGYPTIAN President Hosni Mubarak and Mr Shimon Peres, Israeli foreign minister, discussed ideas yesterday to break a deadlock in peace talks between Israel and the Palestinians, Reuter reports from Cairo.

Although the two men did not give details of the ideas, Mr Peres expressed his appreciation for the role that Egypt, the only Arab state to have signed a peace treaty with Israel, is playing in its attempts to rescue the year-old talks, which are making no progress in Washington.

## Micron files dumping suit

Micron Technology, the US semiconductor manufacturer which last month won a preliminary judgment in a dumping suit filed against Korean memory chip manufacturers, has filed another trade complaint against Goldstar and Hyundai, two of Korea's largest chip makers, writes Louise Kehoe in San Francisco.

Micron has asked the US International Trade Commission to ban imports of Dynamic Random Access Memory (DRAM) chips made by the two companies because it says that they are infringing its patents. A final determination on the case is expected in March.

## Algeria arrests 23 Moslems

Security forces have arrested 23 Moslem fundamentalists in their pursuit of supporters of the outlawed Islamic Salvation Front (FIS), Algeria's official news agency, AFP, said yesterday.

The arrests, with six others reported on Saturday, bring to more than 80 the number of people detained since October 1, the day a new anti-terror law came into force.

## Liberia fighting escalates

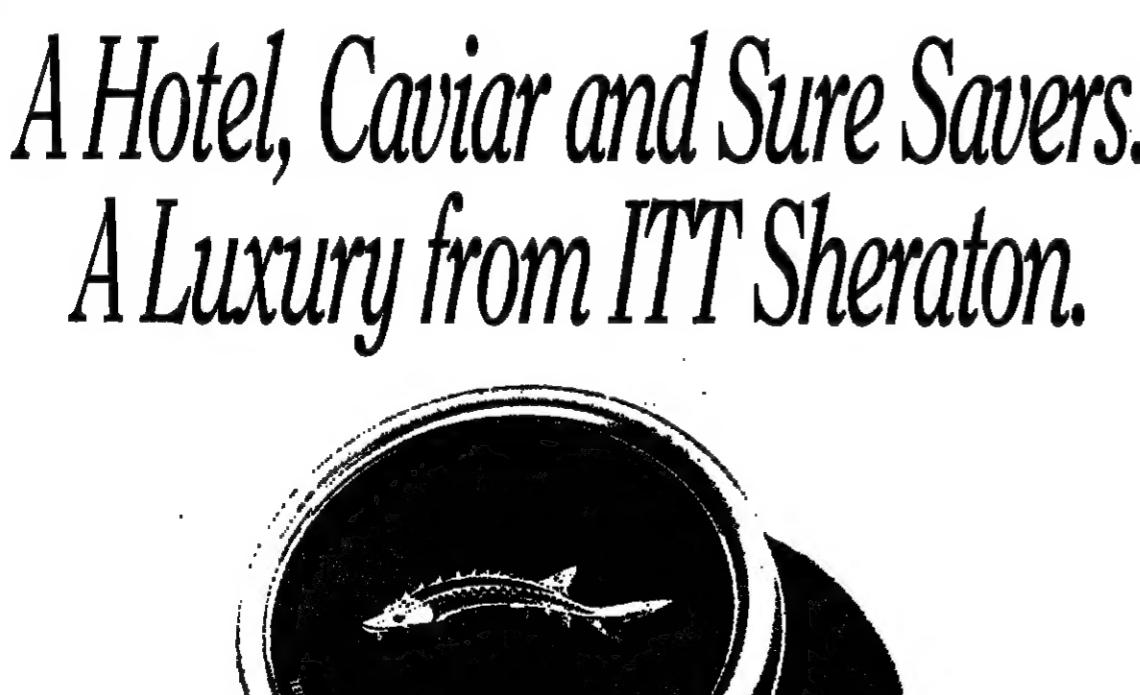
The Nigerian navy shelled rebel positions around Monrovia yesterday accounts for 80 per cent of PTT's operating revenues of TL10,450bn (£250m).

ready for sale.

Mr Topcu said the recent private-sector tender for mobile telephones, won by Netas, a subsidiary of Northern Telecom of Canada, underlined the government's aim to sell the entire operation.

Mr Fikret Uzel, head of Telecoms, now part-owned by Alcatel of France, said it was too early to think of selling PTT.

According to the 1991 accounts, the telecoms division accounts for 80 per cent of PTT's operating revenues of TL10,450bn (£250m).



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## NEWS: INTERNATIONAL

# Air France accuses Brittan on takeover

By David Buchan in Paris

MR Bernard Attali, Air France president, has protested to Sir Leon Brittan that the EC competition commissioner is operating a double standard, favouring recent takeover bids by British Airways (BA) to the French carrier's detriment.

The state-owned French airline said yesterday that Mr Attali wrote to Sir Leon last week, threatening legal action and warning that if BA's takeover of Dan Air and its planned half-share in TAT, the French regional airline, went ahead, Air France might invoke a review clause in its own 1990 takeover of another French airline, UTA.

Specifically, Mr Attali has

charged the Commission with:

- Adopting the wrong approach in clearing BA's take-over of Dan Air. By failing to include Dan Air's total turnover at the time of the take-over in its calculation, the EC anti-trust directorate put the deal below the threshold of mergers to be vetted under the EC merger regulation.
- In any case, Air France claims the BA-Dan Air merger should have been regarded as an illegal abuse of dominant position, because the two airlines would have 60 per cent of slots at Gatwick airport and, together with TAT, "a total monopoly" of the Gatwick-Charles De Gaulle route.
- Failing to investigate BA's plan to take a stake in USAT, though it claimed the right to scrutinise competition implications of other deals extending beyond the EC.

going ahead while it carried out an investigation.

Mr Attali complained that Brussels had checked Air France acquisitions in UTA and Air Inter for nine months in 1990 while it carried out a similar investigation. Under that 1990 deal, Air France was forced to sell its 35 per cent stake in TAT and stay out of it for four years, Mr Attali said. He was surprised to see his airline's "chief European competitor" on the point of taking an even bigger stake in TAT with a view to controlling it by 1997.

• Failing to investigate BA's plan to take a stake in USAT, though it claimed the right to scrutinise competition implications of other deals extending beyond the EC.

## Belarus steps up sell-offs

BELARUS, among the most conservative of the newly-independent former Soviet states, is moving tentatively towards privatisation, writes David Waller, recently in Minsk.

The Belarus government has appointed western advisers to help with the privatisation process and plans next year to

introduce legislation dealing with the mechanics of the transition to a market economy, officials of the government's State Property Agency said in Minsk last week.

So far, fewer than 200 out of 30,000 enterprises – employing just 1.4 per cent of the country's workforce – have been

privatised, largely through the sale of vouchers to employees. The government plans to introduce a legal framework next year which will act as a catalyst to further privatisation, for example laying down private property rights. The Überoi Group of Germany is advising the government.

## Czechs and Slovaks find that breaking up is hard to do

Vincent Boland reports on problems of dividing archives, armed forces and buildings

**P**ITY the unfortunate officials at the Czechoslovak Defence Ministry. They have been saddled with the task of dividing up, as fairly as possible, not just the country's armed forces and weapons but also its archives, including important records from the second world war and the years of communist rule. Worse, they have to find a solution before the country divides into the republics of the Czech Lands and Slovakia on January 1, 1993.

Apart from cutting everything in three and handing two pieces to the Czechs and one to the Slovaks, to correspond to the population ratio, they simply do not know how to begin dividing such historical material. Czech officials claim the archives are indivisible, implying

that they should remain in the Czech republic when the federation is dissolved. Slovakia insists the Slovaks are stalling, and wants its share.

As an example of the problem that breaking up can bring, the issue of the archives is not entirely trifling. Slovakia's defence minister, Mr Jozef Tuchyna, has said that if there is no full agreement on defence between the two republics before January 1, Slovakia may not accept any others.

Defence, agriculture and the division of federal property are the three crucial areas on which no consensus has yet been reached in continuing negotiations ahead of the

split. The federal property issue is proving particularly difficult and is unlikely to be resolved by January 1. The main problem is that the federal parliament has been unable to muster the necessary three-fifths majority to pass a bill authorising the division.

Both the Czech and Slovak national councils have threatened to pass a resolution forcing the parliament to act. The federal cabinet, meanwhile, has agreed to set up a special commission of senior officials from both sides, headed by the federal prime minister, Mr Jan Strasky, to get things moving.

Property will essentially be divided territorially and in proportion to population, with special measures to compensate either republic in instances where most of the property of a federal institution is located in the other.

**S**lovakia is expected to be the bigger beneficiary of such payments. Not only are most government buildings, for example, in Prague, the capital of the Czech republic, but the latter also has most of the federal defence installations, though the armaments industry is in Slovakia.

Despite these difficulties, however, progress has been made in other areas. To date, 22 agreements governing future relations between

the Czech republic and Slovakia have been signed by the republics' prime ministers, Mr Václav Klaus and Mr Vladimír Mečiar. The most important is a customs union due to come into force on January 1, which provides for abolition of all trade restrictions between the two republics, a single customs territory, and common tariffs on trade with third countries.

Both sides have also agreed to continue with a single currency – the koruna – for up to six months after the split. After this two separate central banks are expected to establish national currencies.

Other agreements include a pact on friendly relations; the harmonisation of social security and health benefits; environmental protection; double taxation agreements; the protection of each republic's investments in the other; and the maintenance of transport and telecommunications links.

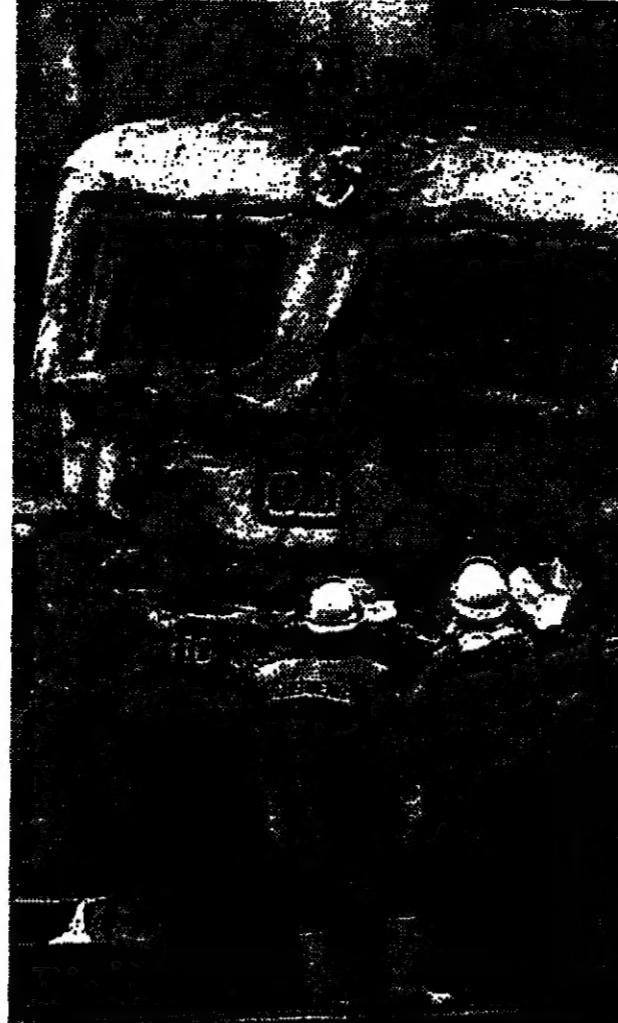
These achievements reflect areas with a broad element of consensus. The real haggling is over those areas where there is no common approach. Western diplomats praise the "businesslike" manner adopted by both sides. However, one senior diplomat pointed out the importance of reaching "some kind of definitive arrangement" on the issue of federal property by the deadline, otherwise "it will drag on

for years and will no longer be a priority".

Dr Oldřich Dedeček, deputy director of the Institute of Economics at the Czechoslovak State Bank, believes it is important that all agreements be seen to be in place on time. He says there has been a slowing down of foreign investment in both republics ahead of the split. "It should pick up again if everything goes smoothly."

This point was underlined this week by Mr Vladimír Diouhy, Czech republic trade and industry minister. Returning from a trade mission to Italy, he said the "vagueness" surrounding the split abroad had affected business confidence in Czechoslovakia, and politicians must spell out more clearly what has been achieved so far.

Survey points up the growing divide between those with work and the unemployed  
Job satisfaction higher in east Germany than west



By Quentin Peel in Bonn

WORKERS in eastern Germany express more job satisfaction than their counterparts in the wealthy west of the country, in spite of poor job security, lower wages and worse working conditions, according to a new survey.

The result underlines the growing divide in the former Communist part of Germany between those who are delighted to have held on to their jobs in the new market economy, and those who have lost them and face prolonged unemployment.

The survey of more than 1,000 workers in both parts of the country, carried out by the London-based International Survey Research, concludes that 56 per cent of east German employees believe they are doing something really worthwhile in their job, 86 per cent say their work gives them a

sense of personal achievement, and 82 per cent think that their job is varied and interesting.

"Equivalent scores in western Germany, though still high in absolute terms, are significantly lower by comparison," the survey reports.

"There seems to be little doubt that the high regard eastern German employees continue to have for the value

Very high level of morale maintained

and purpose of their work enables them to maintain a very high level of morale in the face of difficult economic circumstances and diminishing employment security."

Indeed, as might be expected, their confidence in job security is much lower than in the west, and they are significantly less satisfied with their pay and fringe benefits. For example, only 44 per cent of east German employees believe fringe benefits are adequate, compared with 74 per cent in the west.

They are also less positive about western-style management practices in their enterprises, such as performance recognition, training and development and corporate communications, suggesting that such practices have yet to gain much priority in the east.

The study is one of the first in the former Communist parts of eastern Europe to be carried out by ISR, which specialises in surveys of employee attitudes.

It points out that eastern employees are perhaps surprisingly confident about the quality of the work produced in their companies (71 per cent), a finding mirrored by east German management, in spite of the problems of marketing eastern products on western markets.

The survey concludes that for Germany as a whole, employees are noticeably less confident about the prospects for their companies than in other west European economies: only 22 per cent of the Germans expect a change for the better, compared with 38 per cent in France, 33 per cent in Britain and 32 per cent in the Netherlands, according to comparable ISR surveys.

WHEN WAS THE LAST TIME YOU HIT AN ELK?



Sweden is a land populated by many elks that sometimes leave their forests and stray onto unprotected roads.

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drivers and elks often collide. Apart from elks, Sweden offers other unexpected road hazards like ice, snow and mud.

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## NEWS: UK

# London named world hub for currency deals

By James Blitz,  
Economics Staff

LONDON has extended its lead as the world's biggest centre for currency dealing, the Bank of England has reported. It says the change has come amid a big increase in activity in foreign exchange market.

The Bank attributes London's dominance not only to higher turnover but also to more diversified dealing. Operators in London deal in a very broad range of currencies, while 74 per cent of dealing in New York is between the dollar and the four other major currencies (DM, yen, sterling and Swiss franc).

The report, released ahead of the Bank's Quarterly Bulletin later this week, lists big changes in the structure of foreign currency dealing since the previous survey in 1989.

Among the changes are a rise in non-dollar transactions, especially those involving the DM, a fall in the proportion of dealing done through brokers, and a sharp increase in the market share of the top 10 interbank dealers in London.

The bank's survey was part of a project conducted in April

in which 26 central banks analysed foreign exchange turnover in their countries.

The Bank says turnover has increased in every major centre, with net daily turnover in London rising 60 per cent since 1989 to \$300bn this year. It adds that there has been a big increase in the volume of foreign exchange activity over the last three years and the rise has almost certainly been bigger than that for world trade.

"Part of the increase in foreign exchange turnover must have been generated by the rise in cross-border capital flows which have been stimulated by the de-regulation of financial markets," it says.

The rise in turnover has been accompanied by "a significant shift" in the balance between spot and forward business over the last six years. In London, the proportion of spot business (in which immediate transactions are made) declined from 64 per cent in 1989 to 50 per cent in 1990. The share of forward transactions (in which dealers lock into a specific rate to be transacted at a determined point in the future) has risen by 120 per cent over the same period.

## Criminals use payment networks to launder cash

CRIMINALS are learning how to use international electronic payment networks to launder the proceeds of drug trafficking and robberies, the Bank of England warns this week, writes Daniel Green.

It says there is a need for closer international co-operation to counter the illegal use of financial systems.

"The increasing efficiency and integration of the world's financial system creates an environment that organised criminals are only too ready to exploit," says the Bank in an article released ahead of its

quarterly bulletin.

The Bank is one of the founding members of the International Financial Action Task Force (FATF), the main forum focusing on combating money laundering.

FATF is concerned many electronic payment instructions "fail to include the names and addresses of both senders and beneficiaries". This makes it easier for criminals to conceal the sources of funds. As a result, the Society for Worldwide Interbank Financial Telecommunications has told its clients to include these details.

## Government survey launched

Mr Michael Heseltine, trade and industry secretary, has launched a "baseline survey" across Whitehall to review every aspect of government impact on business. He has asked departments to detail all regulations affecting business for which they are responsible.

## Pay levels rise

Pay rises in the public sector are not outstripping those in the private sector but are now rising at exactly the same rate, according to the Labour Research Department. The average pay rise in both sectors was 4.1 per cent in the three months to October.

## Green reporting

US companies provide more than four times the amount of environmental information that US and Canadian companies, according to a survey by auditors KPMG Peat Marwick.

# Dispute threatens proposed Heathrow rail link

By Richard Tomkins,  
Transport Correspondent

PLANS for the public and private sectors to set up a £200m rail link between Heathrow airport and London are close to collapse amid a bitter dispute between British Rail and BAA, the airports operator.

The row is in danger of delivering an embarrassing blow to government plans to bring public and private sectors together to build roads and railways.

The Heathrow Express project,

intended to speed passengers between Heathrow airport and central London's Paddington station in 15 minutes, is being developed jointly by BAA and British Rail.

The plan is for British Rail to carry the trains on its existing tracks for three-quarters of the 16-mile journey. The private sector would build and operate the spur from the main line to the airport.

Last week BAA accused British Rail of undermining the viability of the project by asking too high a price for the

use of the main line tracks. But British Rail is furious over the allegation, claiming that BAA's refusal to put more money into the project is to blame.

A senior BR manager said the Heathrow Express trains would take 42 per cent of the capacity of the fast tracks into Paddington, and the track charges were proposing were "right at the bottom end of what anybody would regard as reasonable".

British Rail says the real reason why the project is in jeopardy is because it yields a return on capital of only 7.5 per

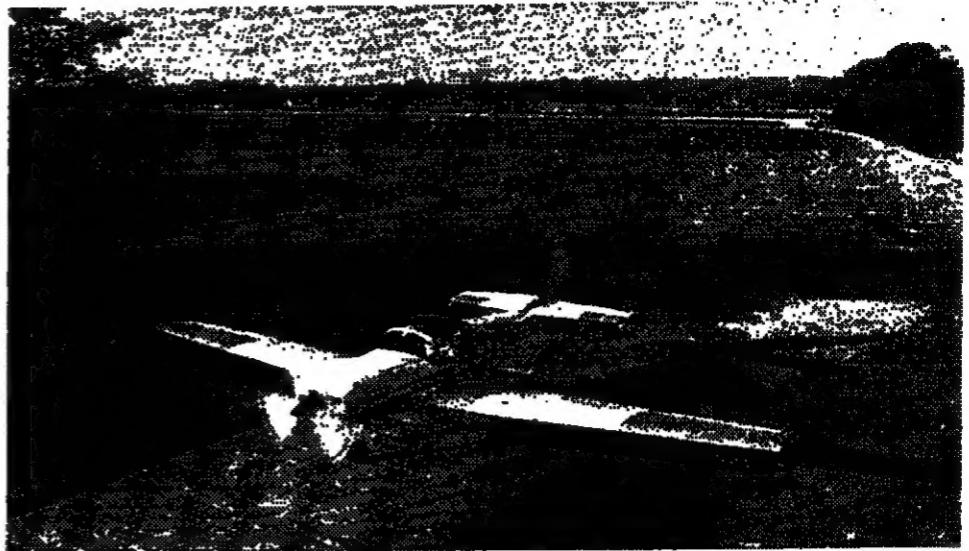
cent - much too low to attract the private sector backers needed to fund it.

British Rail argues that BAA should be prepared to put its own money into the project because the line will bring a big increase in passenger numbers at Heathrow, BAA's most profitable airport.

BAA, however, said yesterday the project should be treated differently by BR because it held out the possibility of getting £200m worth of private sector investment in a vital rail link which would not otherwise be built.

# Yorkshire company models itself on Boeing

Despite the gloom in industry, a number of companies are still thriving. Launching a series on companies bucking the trend, Paul Betts visits an airfield in Yorkshire which has landed a major US Air Force order



Riding high: a Slingsby Firefly taxis across the airfield at the company's Yorkshire base

In the midst of the worst recession to hit the UK's aerospace and defence industries since the Second World War, a tiny Yorkshire company is refitting its facilities to double production of small propeller-powered military training aircraft.

Based in farm sheds rather than a factory on the edge of the North Yorkshire Moors, Slingsby has just landed the most important contract in its 60-year history.

The US Air Force has chosen the T-67 Firefly aircraft as its new basic trainer for student pilots. Amid fierce international competition, Slingsby won the USAF order for up to 113 Firefly trainers worth around \$50m.

To win the order, the small Yorkshire company with annual sales of around £7m teamed up with Northrop, one of the giants of the US defence industry. "This is really a case of the mouse that roared," said Mr John Dignan, Slingsby's marketing director, whose company will soon start shipping kits of its all-composite aircraft to the US for final assembly by Northrop at Hondo in Texas.

The order could not have come at a better time. "Like

everybody else we have had to cutback this year because of the recession and the lack of work in the aerospace business," explained Mr Michael Jones, group executive of ML Holdings, the engineering group which acquired Slingsby eight years ago.

Mr Jones said employment was now expected to rise to 230 people as the company gears up for the US programme.

"Our production will more than double from about four aircraft a month to nine a month," said Mr David Holt, Slingsby's managing director.

"We've had to gut our factory space and refurbish it to prepare for this big jump in production," he added.

Started in the early 1930s by an enterprising carpenter from Scarborough called Fred Slingsby, the company originally made gliders and sailplanes. Although it is still known as the "glider company", it evolved during the last 20 years under a series of owners including companies such as Vickers and British Underwater Engineering into a high technology designer and manufacturer of components for the aerospace and marine industries.

From its small base in one of

the prettiest corners of England, the company supplies composite parts to some of the world's biggest aerospace manufacturers including Boeing, Airbus and British Aerospace.

It also makes all-composite Hovercrafts, and sophisticated underwater equipment for the offshore oil industry.

But the company is pinning its hopes on the Firefly trainer. "It has taken us 10 years to establish the aircraft in the market and we expect we will now win many more orders on the back of the US Air Force deal," Mr Dignan said.

The first 10 Slingsby two-seater aircraft were built of wood under licence from Fournier, a French aircraft manufacturer.

In 1983, the Yorkshire company applied its expertise to develop an all-composite version. Since then, the company has sold up

to now 104 trainers to 10 different countries such as Switzerland, Turkey, Canada, the Netherlands and Norway.

It believes the Firefly is now well placed to win the contract for 20 new RAF trainers which is due next month.

One of the selling points of the aircraft is that it can do, on a small scale, many tasks of a sophisticated fighter aircraft.

"This aeroplane is designed to train a pilot at the most important stage of his early career when he is learning the basic skills," said Mr Norris Grove, Slingsby's chief test pilot, a Spitfire veteran.

Although winning the US order has given Slingsby a significant boost, the company still faces tough competition in its niche market. Over the next five years 25 countries are expected to replace their pri-

penin  
or to

# How a company makes money is becoming equally as important as how much it makes.

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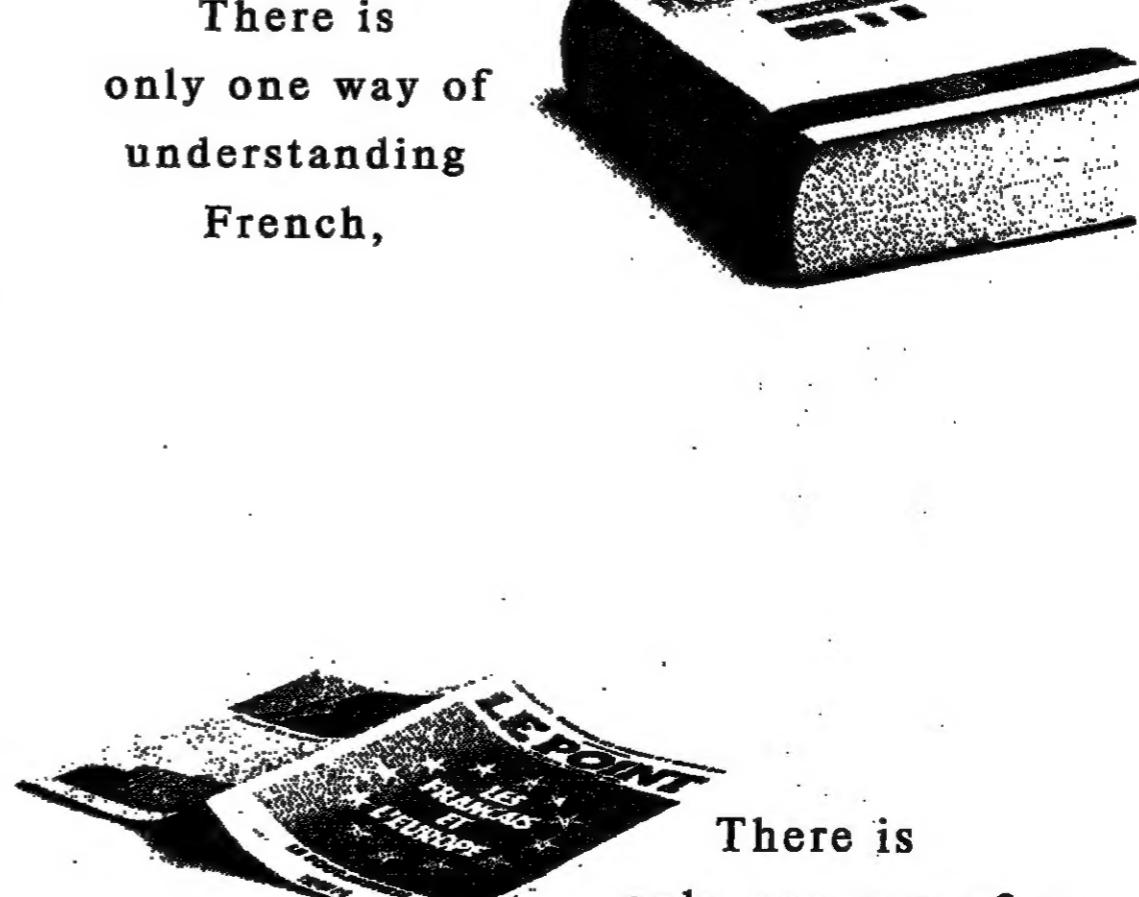


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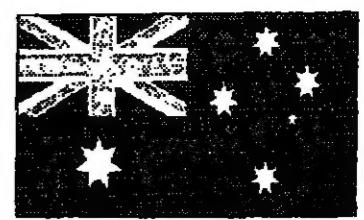
throw rail

The economy: Government is claiming victory over inflation: Report, Page 2

## FINANCIAL TIMES SURVEY

# AUSTRALIA

Monday November 16 1992



Enterprising Australians have been trading with Asia since the 1950s. More than 60 per cent of Australian exports go to the Asia-Pacific region and integration with Asia is regarded as desirable as well as inevitable. Kevin Brown reports

## Opening the door to Asia

IN a Sydney conference hall, Hsieh Fu Hua, the Singaporean managing director of Morgan Grenfell Asia, is telling a group of Australian businessmen how Australia is perceived in the economically dynamic Asian countries to its north. The news is not good.

"You should be aware of the loss of respect that Australia has suffered in the region," he tells them. "You have lost respect because of (insensitive reporting of Asia by) your bad press, your infamous businessmen in the 1950s, and the performance of your economy."

Hsieh has much more to say, none of it pleasant. But at the end of his speech he is applauded enthusiastically. Businessmen question him on how Australians can improve their sometimes touchy links with Asia. Radio and television networks queue to interview him for news bulletins.

"I was not surprised by the reaction," Hsieh says later. "One of the most attractive things about Australians is that you can tell them the truth and they listen to you. I could never have said things like that to an Asian audience. They would have walked out."

A few years ago, Hsieh's Sydney audience might have walked out too. They stayed to listen because most share the view that opening the door to Asia is one of the changes

which is essential if Australians are to avoid becoming the "white trash of Asia," as Mr Lee Kuan Yew, the former prime minister of Singapore, once forecast.

Mr John Fahey, the conservative premier of New South Wales, summed up the emerging consensus concisely at the same conference: "For decades, Australia scarcely noticed the changes taking place in its own backyard," he said. "We can no longer afford to do that."

This view is not new. Enterprising Australians have been trading with Asia since the mid-1950s when a forward-looking conservative government signed a trade pact with Japan. Now more than 60 per cent of Australian exports go to the Asia-Pacific region.

But, increasingly, integration with Asia is regarded as desirable as well as inevitable. In 1992, it is almost impossible to imagine a serious political commentator suggesting that Australia should apply for membership of the European Community, as Mr John Elliot, then president of the federal Liberal party, did only two years ago.

The non-racial immigration programme has done much to counter Australia's historical reputation among Asians for arrogant racism. However, the key factor in speeding up the change in attitude which is taking place has been Australia's relatively poor economic performance.

Sporting successes aside, Australians have not had much to celebrate since the



Gold mining at Kalgoorlie: With the Australian dollar looking weak against its US counterpart, mineral earnings may yet strengthen beyond expectations. There is a long list of new projects. Report, Page 4

Photo: Glyn Geurts

recession of the discredited White Australia policy in the mid-1970s. For nearly two decades, up to 50 per cent of Australia's annual immigration intake has come from Asia, transforming the country from an almost exclusively European enclave to a vibrant and increasingly sophisticated multi-cultural melting pot.

The non-racial immigration programme has done much to counter Australia's historical reputation among Asians for arrogant racism. However, the key factor in speeding up the change in attitude which is taking place has been Australia's relatively poor economic performance.

The short-term result is likely to be a sweeping reversal of fortune for the Labor Party, which has dominated government at both state and federal

levels since the early 1980s. All the signs are that the Labor decade is almost over; Labor has already been swept out of office in Tasmania and Victoria and appears likely to lose the federal election due by mid-1993, although Mr Paul Keating, the prime minister, will fight hard all the way to election day. With about six months to go before the last possible election date, the atmosphere is becoming increasingly clouded by the smoke of battle. But the short-term political confrontation disguises a remarkable degree of consensus about future policy.

As Mr Paul Kelly, editor in chief of *The Australian* newspaper, argued in his recent book *The End of Certainty*, the

1980s marked a radical move away from the principles which had guided Australian governments since federation in 1901 – white-only immigration, trade protectionism, judicial regulation of industrial relations, paternalism, and loyalty to Britain.

Both the main political groups are committed to continuing the process of developing Australian political and cultural independence, and opening up the formerly protected and regulated economy to international economic forces. Hence there is a large measure of agreement on key issues – tariff reductions, integration with Asia, and raising business competitiveness through labour market changes and other structural

economic reforms.

There is even some meeting of minds on touchy symbolic issues: Mr Keating may have tried to present republicanism as a Labor icon but Mr John Hewson, the federal Liberal leader, is only one of many conservatives who think abolition of the monarchy is probably inevitable in the long term.

Of course, the new consensus is not complete. State politicians have local industries to protect, business leaders and media commentators fear the effect of competition on uncompetitive businesses, academics complain that Australia's traditional egalitarianism is in danger. But the critics' impact is limited by the absence of a rational alternative policy.

As a result, the debate revolves around the pace of change. The conservatives want rapid progress towards unencumbered free markets; the government contends that Australians have already undergone all the reform they can digest. Nevertheless, it is clear that Australia's course towards an independent, open and pluralistic society has been firmly set. The argument now is not about what charts the ship of state should be using, but how much sail it should carry.

## Poseidon Gold Limited

Report on Activities for the Quarter ended  
30 September 1992



Poseidon Gold Limited ("PosGold") manages both direct interests in gold mining operations and indirect interests in three of Australia's largest gold mines through its major shareholdings in Gold Mines of Kalgoorlie Limited ("GMK"), Mt Leyshon Gold Mines Limited ("MLGM") and North Flinders Mines Limited ("NFM").

### Significant Events

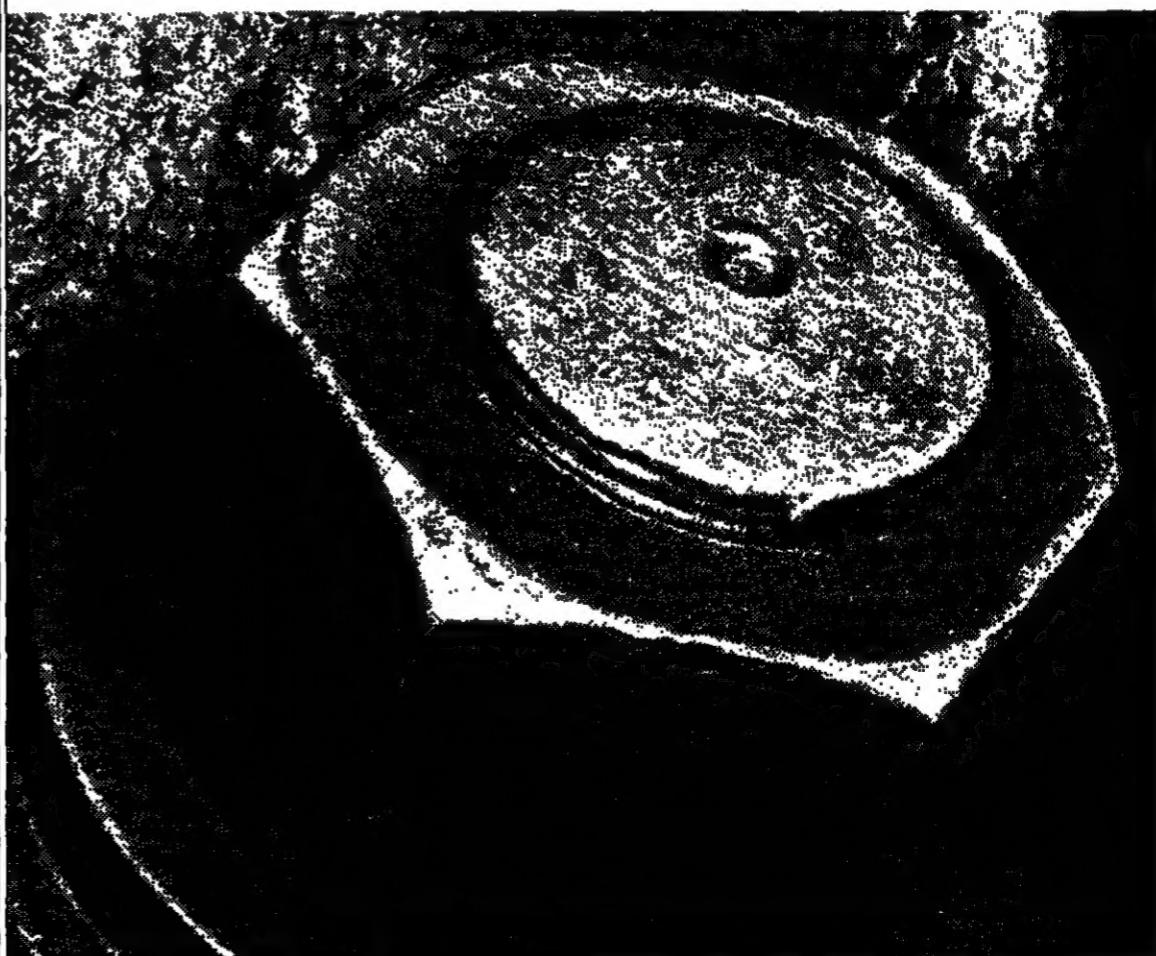
- Unaudited operating profit after tax and outside equity interests of US\$15.6 million
- Average price of US\$417 per ounce realised on gold sales
- Group production of 286,355 ounces for the quarter
- Equity share of production of 177,605 ounces
- Average equity mine operating costs of US\$202 per ounce
- Average Group mine operating costs of US\$222 per ounce
- Acquisition of the remaining 50% interest in the Big Bell mine, effective 1 September 1992
- Sale of Wirralie mine in July 1992 yielding pre-tax profit of US\$4.2 million

Production	September Quarter 1992			September Quarter 1991		
	PosGold Interest (%)	Group Share (oz)	Equity Share (oz)	Group Share (oz)	Equity Share (oz)	
PosGold Direct Interests	100	93,978	93,978	41,783	41,783	
NFM	49.98	37,470	18,728	0	0	
MLGM	75.6	55,072	41,634	52,904	23,600	
GMK	23.3	99,835	23,265	90,409	21,084	
<b>TOTAL</b>		<b>286,355</b>	<b>177,605</b>	<b>184,885</b>	<b>86,467</b>	

Note: All amounts quoted in US dollars are Australian dollars converted at the rate of A\$1.00 = US\$0.72

Quarterly Reports for these companies can be obtained by writing to:  
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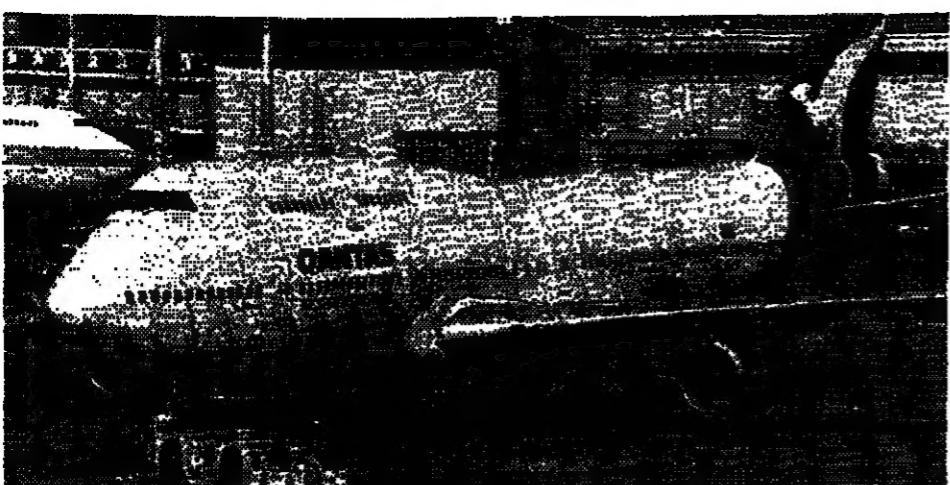
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## AUSTRALIA 2



A deal between Qantas Airways and 18,000 employees was rejected by the federal commission. Photo: Guy Gandy

## □ FIGHTBACK CAMPAIGN

**An easy target**

EVEN his worst enemy would probably concede that Mr John Hewson, leader of Australia's conservative opposition, is a brave man. Faced with an apparently disintegrating Labor government, it would have been easy for Mr Hewson to sit back and wait for the prime ministership to fall into his lap.

Instead, he and Mr Peter Reith, the shadow treasurer (finance minister), persuaded the Liberal and National parties which make up the conservative coalition to take an almost unprecedented step: publication of a detailed programme for government, known as Fightback!

In most areas, Fightback! proposes to extend or complete structural economic reforms initiated by the present Labor government or its predecessors. But the scale and scope of the proposed reforms makes it an easy target for Labor claims that the coalition plans a Thatcherite revolution.

Under a Hewson government, privatisation of government-owned businesses would be stepped up, tariffs would be reduced to a maximum of 5 per cent by 2000, most of the remaining regulatory constraints on industry would be swept away, and the resources industry would be largely freed from constraints imposed by environmental and Aboriginal lobby groups.

Each of these proposals is controversial in its own right, as Mr Paul Keating, the prime minister, and Mr Bob Hawke, his predecessor, have discovered over the past decade in forcing more tentative changes through a sometimes reluctant parliament.

But Fightback! goes further in two crucial areas:

- Industrial relations. Australia has a unique industrial relations system under which a network of quasi-judicial federal and state industrial relations commissions set wages for about 80 per cent of workers, often without reference to productivity, supply and demand or ability to pay.

The commissions can order compulsory arbitration of disputes and fine or imprison workers or employers who fail to comply. Overlaying the commission structure is a separate prices and incomes accord between the government and the Australian Council of Trade Unions (ACTU), under which aggregate wage increases have been restrained in return for tax cuts and improvements in the "social wage," such as low-cost medical care.

Labor has initiated tentative reform by reducing the number of occupational wage award classifications, and encouraging workplace bargaining agreements, although deals

must still be registered with the relevant commission. Senator Peter Cook, the industrial relations minister, says this "quiet revolution" has led to nearly 400 agreements in the past 12 months. Some agreements have triggered remarkable improvements in productivity. For example, Mr Michael Dealey, the former chairman of ICI Australia, says workplace agreements have transformed the competitive position of many of the company's plants. However, many employers are critical of the limited scope for negotiation allowed by Labor's new regime.

The industrial relations commissions retain the power to block deals between workers and employers. For example, a recent deal between Qantas Airways and 18,000 employees was rejected by the federal commission on the grounds that neither side had justified a proposed 10 per cent pay increase. Mr Ian Spicer, chief executive of the Australian Chamber of Commerce and Industry, says many of the agreements which have been registered are "quite uninspiring" especially when compared with what is being achieved in other countries.

Fightback! responds to this concern by proposing the abolition of compulsory arbitration and occupational awards, except where employers and workers agree to remain within the existing system. Compulsory trade union membership would also be abolished, together with restrictions on overtime and shiftwork, which often attract legally enforceable penalty payments under the existing system. However, a minimum wage and other safety net provisions would be retained, undermining government claims that Fightback! would lead to exploitation of workers.

Fightback! also implies that control of monetary policy will be handed over to an independent central bank. Mr Hewson has yet to spell out exactly how this would be done, but it is likely to be a key element of the reform programme if aggregate wage demand is to be restrained without the benefit of the present government's accord with the unions. The most likely scenario is a variant of the successful New Zealand model, under which the bank is instructed to achieve a specified medium-term inflation target.

• Taxation. Fightback! proposes the introduction of a 15 per cent goods and services tax, similar to Europe's value added tax, to switch the emphasis of revenue raising from direct to indirect taxes. The GST would raise consumer prices, but would be offset by

Kevin Brown

AUSTRALIA'S Labor government is claiming victory over inflation, which fell to 0.8 per cent in the September quarter, the lowest in the Organisation for Economic Co-operation and Development (OECD).

Inflation is expected to fall further in the current quarter and is widely expected to remain below 2 per cent for much of 1993, in spite of the probable end of a two-year downward spiral in interest rates.

In the longer term, cost-push inflationary pressures should be restrained by the government's agreement with the trade unions, which restricts wage increases to levels capable of holding inflation below the OECD average.

However, the decline in inflation is not unaltered good news. Largely, it reflects weak domestic demand caused

Many business leaders have expressed scepticism about the pace of growth

by a slower-than-expected recovery from the 1990-91 recession. Technically, the economy emerged from recession in the September quarter of 1991. But growth has been weak and the government may have trouble hitting its 3 per cent growth target, outlined in the 1991-92 budget.

Mr John Dawkins, the treasurer [Finance minister] continues to insist that the government will achieve the target, but his confidence is not widely shared. Many business leaders have expressed scepticism about the pace of growth, including commentators such as Mr John Prescott, managing director of BHP, Australia's biggest company.

## □ Politics: Background to the forthcoming federal poll

**Tide of history seems to be against Labor**

LIKE most elections in the television age, the impending federal poll in Australia is being decided by politicians and commentators on all sides as the most important ever. Mr Paul Keating, the Labor prime minister, says voters are being presented with a clear choice between a pragmatic government and an ideologically-driven Thatcherite opposition.

Mr John Hewson, leader of the Liberal-National Party conservative coalition, says the election presents a unique opportunity for voters to rein in corporatism and big government.

Both men are exaggerating. Australia is already undergoing dramatic economic and social changes as a result of the generally liberal and deregulatory policies followed by Labor since its election in 1983.

A conservative election victory would speed up the process of opening the economy to market forces, but that would largely represent a consolidation of liberal economic policies rather than a philosophical change of direction.

Nevertheless, the antipathy between the two leaders exceeds normal political limits. Mr Keating, a master of the pithy phrase, has a variety of insulting labels for the conservative leader, all designed to present him as a heartless economic theorist, remote from the problems of ordinary people.

He says Mr Hewson is "Gordon Gekko," the fictional banker whose creed was "Greed is Good;" he is Dr Doom or The Professor, recalling his stint as an economics lecturer; he is the "Feral [wild] Abacus," suggesting an out-of-control calculator.

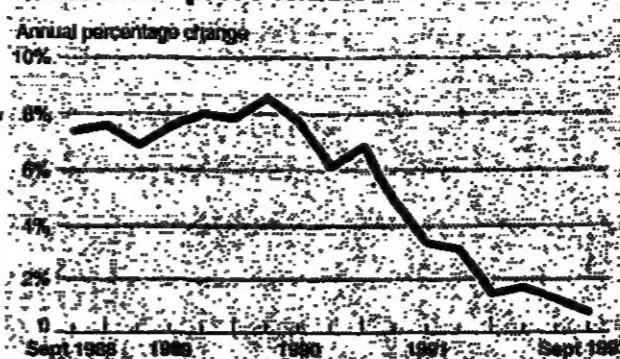
Mr Hewson uses less colourful language, but he takes little trouble, even in private, to disguise his distaste for the prime minister's spiteful rhetoric and street-fighting style. Mr Keating's attacks on the opposition are undoubtedly politically astute. Most opinion polls suggest that Mr Hewson's popularity has declined since the attacks began in earnest at the beginning of the year.

The prime minister's relentless concentration on the character issue has also helped to divert attention from the government's own policy failures, notably Australia's 1990-91

## □ THE ECONOMY

**Inflation expected to fall further**

## Consumer price index



Treasurer John Dawkins insists the government will achieve growth target

Even Senator John Button, the government's third-ranking minister, admitted recently that he was "not confident" the target could be reached, although he later withdrew his comments after a ticking-off from Mr Dawkins.

The government has responded to slow growth with moderate pump priming which

## KEY FACTS

Area	7,682,300 sq km
Population	17.34 million
Head of State	HM Queen Elizabeth II
Currency	Australian dollar (AS)
Average Exchange Rate <sup>1</sup>	1991 US\$1 = AS\$1.26 1992 US\$1 = AS\$1.32

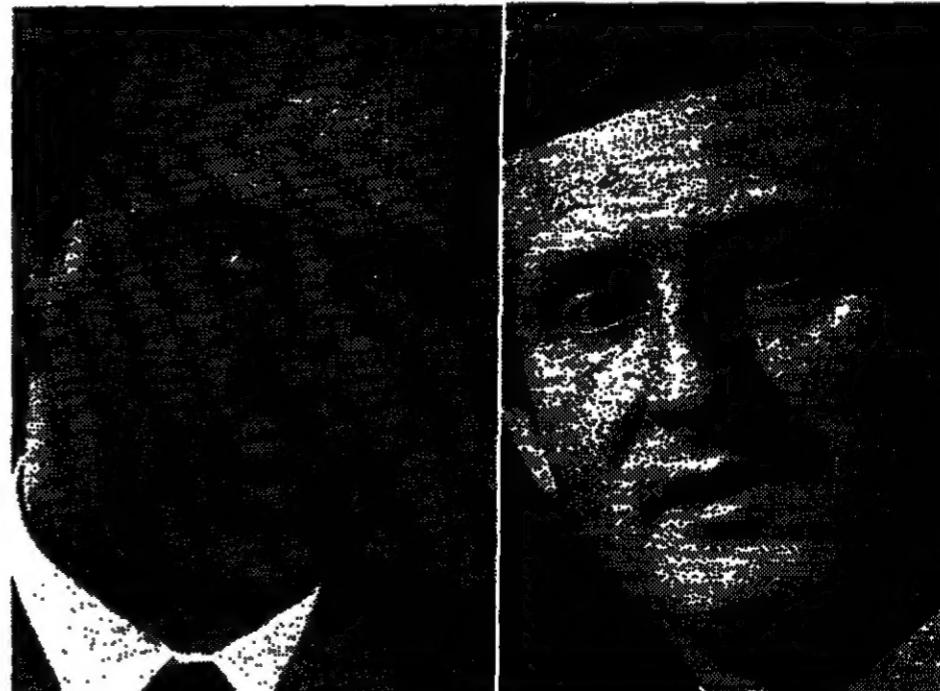
ECONOMY		1991	1992 Q2
Total GDP (\$bn) <sup>2</sup>	295.4	294.1	
Real GDP growth (%) <sup>3</sup>	-1.2	1.9	
Components of GDP (%) <sup>4</sup>	61.6	63.1	
Private Consumption	19.9	18.2	
Total Investment	18.4	18.4	
Government Consumption	17.8	18.5	
Exports	-17.2	-18.2	
Imports	3.3	1.5	
Inflation rate (%) <sup>5</sup>	-1.3	0.4	
Ind. production growth (%) <sup>6</sup>	9.6	10.9	
Unemployment rate (%) <sup>7</sup>	7.0	13.9	
Reserves minus gold (\$m) <sup>8</sup>	16,534	13,927	
Narrow Money growth (%) <sup>9</sup>	10.99	7.33	
Discount rate (% pa) <sup>10</sup>	10.69	9.15	
Govt Bond Yield (% pa) <sup>11</sup>	20.8	8.8	
FT A-share prices (%) <sup>12</sup>	-0.82	-4.08	
Current Account Deficit (\$m) <sup>13</sup>	42,010	20,591	
Exports (\$m) <sup>14</sup>	36,500	18,970	
Imports (\$m) <sup>15</sup>	3,510	1,621	
Main Trading Partners (%) <sup>16</sup>	USA	24.4	
Imports	10.2		
Japan	27.9	17.6	
Taiwan	4.3	3.7	
Singapore	5.4	2.7	
UK	3.2	6.2	
EC	11.8	20.8	

Notes: All \$ figures are in US\$.  
(1) Figures refer to full year 1991 and Q2 1992.  
(2) Growth rates for 1991 over 1990, Q2 92 over Q2 91.  
(3) Annual growth at year end 1991 and end Q2 1992.  
(4) Figures refer to full year 1991 and Q1 plus Q2 1992.  
(5) Percentage share by value in 1991.  
(6) Source: IMF, World Bank, Datastream, EU.

International worries about Australia's \$165bn foreign debt have eased over the past two years as the debt burden appeared to be stabilising at about 35 per cent of GDP. But some economists say the falling Australian dollar could increase the debt load to more than 40 per cent of GDP, which might re-ignite international concern.

If that happened, the Reserve Bank would probably have to display its determination to defend the currency — and continued low inflation — by raising rates, which is just what the sluggish economy needs least.

Kevin Brown



Paul Keating (left) and John Dawkins: the antipathy between the two leaders exceeds normal political limits

## Election advertising is likely to exploit some of the prime minister's one-liners

leadership coup in December. A year ago, government officials were resigned to losing the election, which must be held by June. Now, some think Labor might yet pull off a record fifth successive victory.

However, there is a long way to go. Labor's popularity rating remains well behind the opposition — 12 percentage points in the latest opinion poll — and the coalition has no shortage of ammunition with which to embarrass the government.

Election advertising, for example, is likely to exploit some of the prime minister's less well

advised one-liners, such as his successive declarations that "there will be no recession," that "this is the recession we had to have," and that "the recession is over long ago."

The federal government will also be weakened by the loss of state power in Tasmania and Victoria this year, and the likely fall of weak Labor governments in South Australia and Western Australia next year.

Mr Keating is not yet ready for the Elysian fields. But increasingly, it looks as though the tide of history is moving against Labor. After dominating Australian politics for a decade, the party may now be heading for a period in the wilderness.

Kevin Brown

## FINANCIAL TIMES RELATED SURVEYS

Philippines	Feb 17 1992
Hong Kong	May 5 1992
Korea	May 29 1992
Singapore	Jun 1 1992
Indonesia	Jun 24 1992
Japan	Jul 15 1992
Malaysia	Aug 28 1992
Japan Industrial Review	Dec 1993
Japanese Financial Markets	Mar 1993

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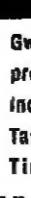
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## AUSTRALIA 3

MR Paul Keating, the Australian prime minister, shocked many Australians recently when he declared during a visit to Tokyo that Australia would support Japan rather than the US in any future trade dispute.

Mr Keating's statement appeared to be intended to lay the groundwork for Australian trade policy in the event of a collapse of the Uruguay Round of negotiations on the General Agreement on Tariffs and Trade (Gatt).

Officials said the government remained hopeful of a successful conclusion to the talks, and played down suggestions that the statement flagged a big refocusing of Australia's trade and diplomatic efforts.

However, Mr Keating was said to be concerned that the US might seek to develop a series of bilateral trade agreements offering preferential access to the recently-negotiated North American Free Trade Area (Nafta) if the multilateral Gatt talks broke down.

Given that such an approach could be used to discriminate against Japanese access to the US, the prime minister's unsolicited support for Japan makes a lot of sense. Australia is one of the few developed

## All eyes on Gatt outcome

countries to run a trade surplus with Japan, which is by far its biggest trading partner.

Mr Keating's comments also reflect the growing view that Australia's best interests lie in encouraging closer relationships with the dynamic economies of its own region, rather than fostering existing historical links with the US and Europe.

More than 60 per cent of Australian exports went to the Asia-Pacific region (excluding the Americas) last year, including 27 per cent of the total to Japan alone. By contrast, North America and the European Community (Ec) each took just over 12 per cent.

Most forecasters suggest that trade with Asia will continue to grow as a proportion of Australia's total trade, which suggests that Mr Keating's comments amounted to little more than a commonsense observation on where Australia's loyalty would lie in the event of a trade war.

However, his statement also reflects concern that Australia's relatively recent claim to be an integral part of the Asia-Pacific region may not be enough to prevent its exclusion from any regional trade bloc which may emerge. For example, Dr Mahathir Mohamad, Malaysia's prime minister, has made clear that Australia and New Zealand would be excluded from his proposed East Asian Economic Caucus, which Malaysia envisages as an expanded version of the Association of South East Asian Nations (Asean).

Even if the caucus fails to materialise, there is clearly no role for Australia in the proposed development of a free trade area within Asean – an idea which is gathering support as the likelihood of a successful Gatt outcome recedes.

Australia might be able to sign a bilateral deal offering access to Nafta, but would first have to overcome US resistance to freer trade in agricultural commodities in which Australia has an advantage.

Even if the agricultural problem could be overcome, such an agreement would be unlikely to confer a net benefit if access to Asian markets was simultaneously reduced because of Australia's exclusion from an emerging regional trading bloc. This analysis explains why Australia has invested so much diplomatic effort in the formation of the

Australia Pacific Economic Co-operation process (Apec), initiated by Mr Bob Hawke, the former prime minister, in 1990.

Apec, which is establishing a permanent secretariat in Singapore, includes Australia, Japan, and the two big North American economies, as well as the Asean nations and the three Chinas – Taiwan, Hong Kong and the communist mainland.

The key to Canberra's interest in Apec is that the member countries buy about 70 per cent of Australia's exports. However, while Apec members have discussed trade issues, the organisation is not yet a trade bloc, and there are several problem areas which make it hard to see how it could develop into one:



Mahathir Mohamad: proposed East Asian Economic Caucus

- The size and diversity of Apec – the things which make it attractive to Australia – mean that negotiations on a comprehensive trade agreement would face the same problems as the Uruguay Round.
- Agriculture aside, the US and Canada are likely to have conflicting obligations to Nafta, especially if Nafta goes ahead with a series of bilateral trading agreements with third countries.

countries being successful," he said.

In spite of these difficulties, the consensus among both policymakers and commentators is that Australia must continue to promote Apec because it is the only mechanism which offers Canberra a seat at the regional table.

Professor Nancy Viviani, head of the international politics department at Griffiths University, says Apec's importance to Canberra is hard to overstate. "The alternative is to be an orphan if the storms come," she says.

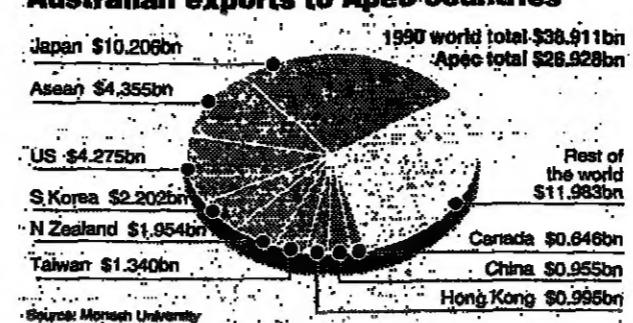
Mr Richard Woolcott, who as secretary of the foreign affairs and trade department was one of the authors of current trade policy, pointed out in a recent report on Australia's trading options that successful regional trading blocs usually exhibit a high degree of geographical proximity and similar levels of per capita gross national product.

To this list might well be added cultural affinity: there are no examples of successful, substantial trading blocs where there is a marked cultural diversity between the partners. This may reduce the likelihood of any agreement involving Australia and Asian

Kevin Brown

## □ TRADE

## Australian exports to Apec countries



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basis – the approach taken by the government in devising new regulations to govern the relationship between directors and companies, known as the related party transaction amendment.

Mr Duffy's office also believes that a total redrafting of all 1,300 sections of the corporations law would open up so many issues that it could take five years or more to complete.

This proposition is contested by Professor John Farrar, a Melbourne University expert on corporate regulation who helped design a relatively simple corporate code for New Zealand, which suffered from a similar problem.

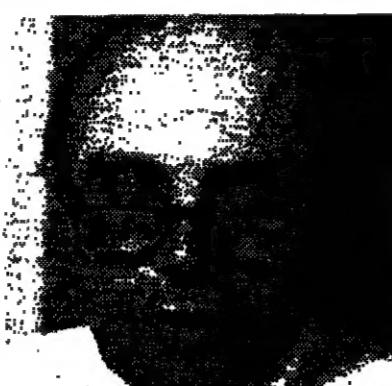
Professor Farrar says a comprehensive revision of the law could be carried out fairly quickly provided the government had a clear idea of its policy objectives. The simplest approach would be to adopt the New Zealand code, which would also help bring Australian and New Zealand corporate law into line, as required by the agreement on closer economic relations between the two countries.

"The NZ code has a great deal of intrinsic merit," says Professor Farrar. "It draws heavily on the North American model, which is the best model around, and it innovates in a very original way. It makes the law comprehensible to the intelligent businessman, and that gives you a head start if you want an effective corporate regulation regime."

Kevin Brown

## □ CORPORATE REGULATION

## Debate continues



Tony Hartnell: blamed entrepreneurs

widespread criticism that its corporate regulatory arrangements were unequal to the task of restraining both unethical activity and criminal behaviour.

The most obvious breakthrough was the establishment of the ASC last year, after the federal government finally persuaded the states to give up their rights to supervise corporate activity. Not only did the agreement allow the federal government to replace the six state-based regulators with a single federal watchdog, it also provided for an increase in funds from A\$7m to A\$125m.

The commission is carrying out some 1,300 separate investigations and has produced lengthy reports to the Director of

Public Prosecutions on 15 leading companies. In addition, criminal charges have been brought or recommended against several well-known businessmen.

To some extent, the establishment of the ASC represented a shutting of the corporate stable door after the entrepreneurial horse had bolted. However, the debate over the right corporate framework is far from over, and several key issues remain to be settled:

- Has the establishment of the ASC filled the gap in corporate law enforcement, or has it merely papered over the cracks? The Business Council of Australia (Bca), which represents most big companies, is one of many lobby groups which believe the ASC's present role as both commercial regulator and criminal investigator is unsustainable in the long term.

The Bca has called for the establishment of a separate corporate crime authority, along the lines of Britain's serious fraud office, to allow the ASC to concentrate on corporate regulation. This suggestion is in line with the approach taken by Mr Hartnell during the ASC's first year. However, Mr Michael Duffy, the federal attorney-general, recently directed the

commission to give more priority to criminal investigations.

- The Australian Stock Exchange (Asx) has instituted a system of continuous reporting which requires the market to be kept fully informed about issues or proposals affecting listed companies. This continuous disclosure regime is to be given the force of law through federal legislation giving the Asx a formal supervisory role.

Both the Asx and a government advisory committee concluded that mandatory quarterly reporting, the disclosure system adopted in the US, was not necessary at this stage except for mining companies, which already report quarterly. But many observers remain convinced that quarterly reporting is the only reliable method of ensuring that markets are fully informed.

- However, the most serious issue yet to be resolved is whether the corporations law needs to be rewritten. The Bca, the Institute of Company Directors and the Law Council of Australia have all called for a fresh approach to the law to make it simpler and more relevant to modern business conditions.

The argument is that the Corporations Act, which draws together more than a century of corporate law-making, is unnecessarily complex, full of loopholes, and fails to address issues such as the role of professional managers and institutional shareholders in a modern company. Corporate law experts say the legislation is one of the most complicated regulatory regimes in the advanced countries.



Michael Duffy: piecemeal basis

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The pressure for a comprehensive revision of corporate law has had some effect on lawmakers, notably on the parliamentary joint committee on corporations and securities, which has pressed the government to consider rewriting and modernising the existing legislation.

However, Mr Duffy has indicated that he prefers to revise the law on a piecemeal

## SYDNEY

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*[Handwritten signature of Peter Collins]*

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## AUSTRALIA 4

 TOURISM

## Two-pronged strategy

THE bulk of Australia's foreign earnings used to ride on the back of its sheep. These days, a growing proportion ride on the seats of jumbo jets.

Last financial year, nearly 2.4bn international tourists arrived in Australia, contributing A\$7.5bn to the coffers. This was about 10 per cent of total foreign exchange receipts, the single largest earner, outstripping the traditional wool and coal exports.

Mr Alan Griffiths, the tourism minister, expects 5bn tourists to arrive in the year 2000, generating about A\$18bn.

The national strategy to achieve this target is two-pronged. First is an advertising campaign to woo more Asian tourists – and thus lock in that segment of the market which has propped up the industry during the past few years.

The second part of the strategy is a shift in the Australian image being projected abroad. The singlet-clad, beer-and-barbecue Australian lifestyle depicted by Crocodile Dundee star Paul Hogan is being replaced by images of sophisticated nightclubs, first-class shops and fine restaurants, and spectacular scenery.

Mr Hogan has successfully caught the imagination of the world market. Australia is now recorded either the first or second most desired holiday destination in its big markets.

Mr John Hutchinson, managing director of the Australian Tourist Commission, wants to convert that desire into bookings.

Asia, outside of Japan, is the main target of the advertising campaign. Nearly half of a A\$28m advertising budget is being spent on campaigns in South Korea, Taiwan, Singapore, Hong Kong, Malaysia, Thailand and Indonesia. The rest is being spent in North America and New Zealand.

Accompanying the marketing campaign is a frantic pace in bilateral air negotiations to increase capacities to and from Malaysia, Indonesia and Singapore. And with the deregulation of the air routes the privately-run Ansett airlines has also jumped in, applying for flying rights to Malaysia.

In 1991-92 the number of Asian tourists, excluding Japanese, rose 28 per cent from the previous year's figure, making the region the fastest-growing source of inbound tourists. The Bureau of Tourism Research (BTR) says tourists from these markets will increase by an

Forecast: Number of Asian tourists to Australia			
From	1992	2000	Spending in year 2000 (A\$)
Singapore	100,000	215,000	394m
Hong Kong	70,500	127,500	265m
Taiwan	55,500	260,000	773m
Malaysia	53,000	185,000	420m
Indonesia	41,000	190,000	363m
South Korea	35,500	265,000	1,039m
Thailand	30,000	100,000	227m
Other nations	64,000	202,500	363m

Source: Australian Tourist Commission

Visitors to Australia: Dec 1991 quarter		
From	Length of stay (nights)	Spending (A\$)
Japan	8	1,371
New Zealand	20	1,378
Asia	37	1,885
UK and Ireland	59	2,426
US	29	2,091
Europe	47	2,297
Canada	29	2,091
Rest of world	34	1,884

Source: Bureau of Tourism Research

average 12 per cent to the year 2001. This compares with a 10 per cent growth expected in the Japanese market, the main source of tourists.

Last year the fastest-growing market was Taiwan, which delivered a 134 per cent increase in visitor arrivals. The number of tourists from Thailand

rose 31 per cent, from Singapore 26 per cent, and from Hong Kong 26 per cent.

But Japan remains the richest market, with more than 500,000 Japanese visiting Australia last year. While Japanese tourists do not stay long, they spend the most money among foreign tourists. According to

BTR, Japanese tourists stay an average of eight nights and spend an average of A\$1,371 excluding package tours and air fares. In contrast, tourists from the US stay an average of 29 nights and spend an average of A\$2,091.

The Japanese spending pattern is partly attributed to local Japanese tour operators promoting the "Japanese connection." Japanese banks and investors are heavily exposed to the Australian hotel industry. During the five-star hotel boom of the middle and late 1980s, Australia built nearly 110,000 luxury hotel rooms worth about A\$30bn. Japanese investors including Kunagai Gumi and Daikyo went on a buying spree and snatched 80 per cent of the projects.

In 1990, these five-star hotels were valued at A\$22bn. Last year the Building Owners and Managers Association hired an independent auditor who valued the assets at A\$10bn.

And while Japanese investors are trying to unload their interests, Japanese tourists are helping ease the pain by patronising the Australian tourist market.

The glut in luxury hotel rooms has itself helped boost Australia's desirability as a tourist destination. With owners forced to charge economy rates for first-class rooms and service, it has gained a reputation of being a holiday destination of excellent value.



Emilia Tagaza

WHEN the state of Victoria's newly-elected MPs gathered for the first time in Melbourne's historic parliament last month they swore to be "faithful and bear due allegiance to her majesty Queen Elizabeth II, the lawful sovereign of the United Kingdom."

If the oath angered any of the MPs present they failed to show it; perhaps familiarity has robbed the wording of its shock value, or perhaps they were mollified by the addition of the words "...and this state of Victoria."

Nevertheless, the spectacle of a group of MPs explicitly swearing allegiance to a foreign monarch epitomises the confusion which surrounds Australia's attempts to develop a coherent and distinctive post-colonial identity.

Ironically, the Melbourne swearing-in ceremony was held only a few days after the federal and state governments

agreed to end the award of British imperial honours such as knighthoods. In practice, the decision merely formalised the position which has existed since 1988 when Queensland became the last state to stop awarding imperial honours following the defeat of Sir Jo Blieke-Petersen's National Party government.

However, the two episodes taken together neatly illustrate the way in which the gradual development of an Australian consciousness co-exists with a continuing attachment to the symbols of colonialism.

But the sovereign of Australia remains whoever happens

to be the king or queen of the UK.

This reluctance to take decisive action has marked Australia's constitutional relationship with the UK since federation. For example, it took the federal government 11 years to adopt the 1931 Statute of Westminster, which conferred formal self-government on the then British dominions. And it was not until 1986 that the federal parliament passed the Australia Act, finally removing the residual power of the UK parliament to legislate for Australia and the states.

Pressure for reform has gathered pace in the past year, as Mr Paul Keating prime minister, has given official support to both the republican movement and those who want to remove the British Union flag from the top left quarter of the Australian flag.

The government is officially committed to creating a repub-

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However, having temporarily diverted attention from the flagging economy, the Prime Minister has now dropped both issues in the face of determined opposition, suggesting once again that radical constitutional reform is too difficult for Australian governments.

Meanwhile, the national schizophrenia on constitutional issues is perfectly captured in the second verse of Advance Australia Fair, the national anthem adopted less than 20 years ago to replace God Save the Queen:

*When gallant Cook from Albion sailed*

*To trace wide oceans o'er,*  
*True British courage bore him on,*  
*Till he landed on our shore.*

*Then here he raised Old England's flag,*  
*The standard of the brave,*  
*'With all her faults we love her still,*

*Britannia rules the wave.'*

*In joyful strains then let us sing,*

*'Advance Australia fair.'*

Not surprisingly, the second verse is rarely sung.

Kevin Brown

 CONSTITUTION

## Confusion over identity

Part of the confusion is caused by the federal constitution, signed in 1901, which allowed the six constituent states to retain their colonial constitutions, including independent links with the UK.

In addition, some of the constitutional reforms which have taken place seem pointless, even in symbolic terms.

For example, Mr Gough Whitlam's Labor government of 1972-75 made Australia's subjects of the newly-created throne of Australia.

However, the two episodes taken together neatly illustrate the way in which the gradual development of an Australian consciousness co-exists with a continuing attachment to the symbols of colonialism.

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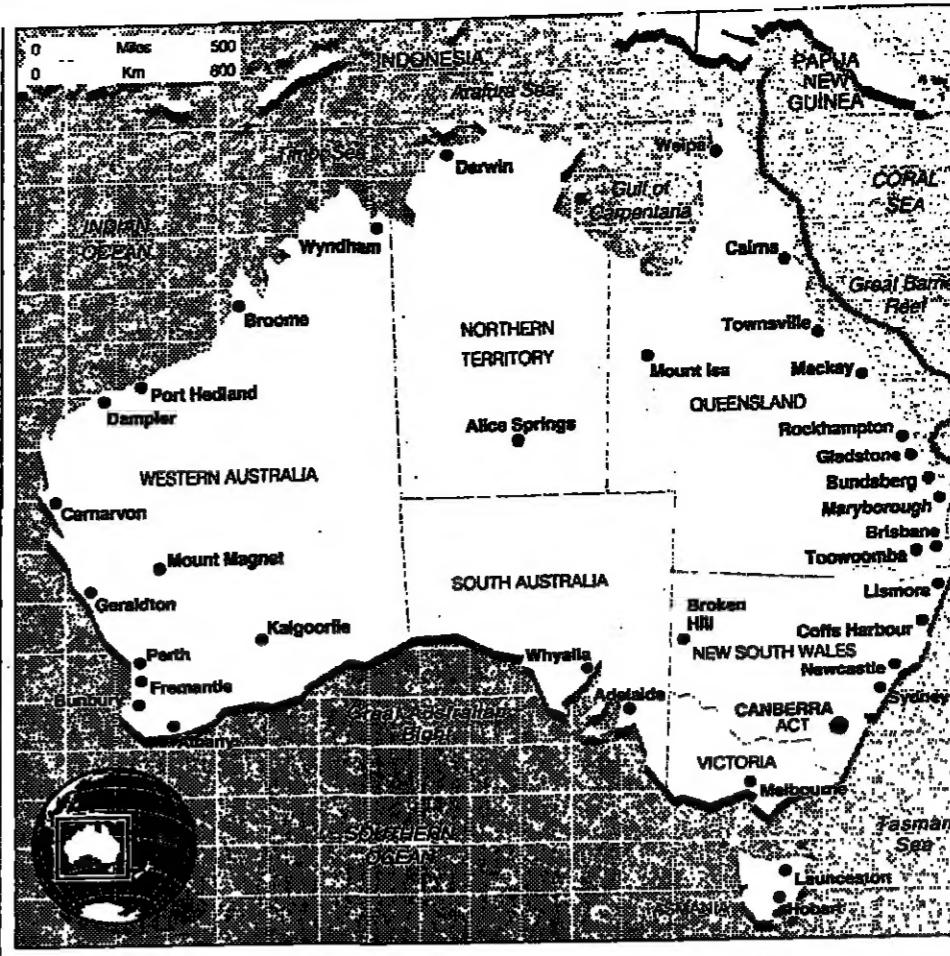
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Kevin Brown

 FOR FURTHER INFORMATION

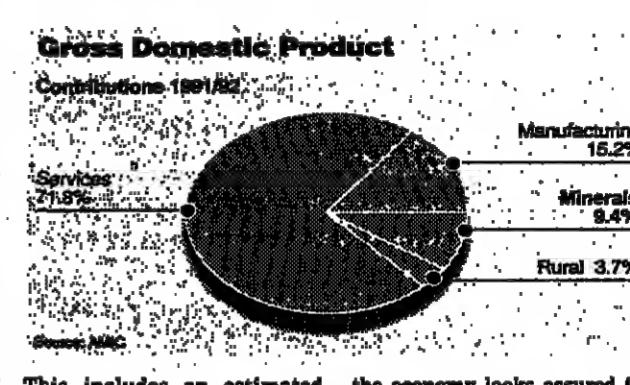
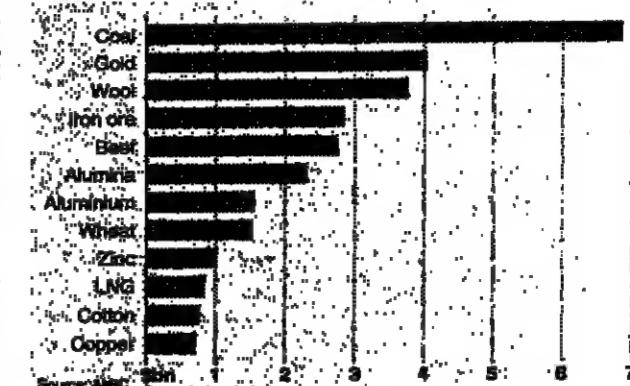
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 MINING

## Long list of projects

Principal commodity exports, 1991/92



This includes an estimated A\$14bn worth of petroleum projects, with another A\$5bn in each of the coal and aluminium sectors. ABARE predicts a net A\$100m from its forecast earnings for a handful of the country's top miners over the next two years.

Despite a belief that selected minerals – notably gold, zinc, copper and perhaps aluminium – have a slightly improved price outlook, most other analysts are similarly pessimistic on earnings.

Rapid expansion has been the trade mark of the Australian minerals industry almost since coal was discovered just 10 years after the arrival of the First Fleet in 1788. Australian Mining Industry Council figures show that the volume of the country's mine production doubled in the decade to 1992. The industry's share of GDP has grown from 7 to 9 per cent and its share of merchandise exports from 43 to 53 per cent in the same period.

Given the long list of new projects, further minerals growth relative to the rest of

Bruce Jacques

 ENVIRONMENTAL ISSUES

## Getting the green message across

THE appointment of the new head of the Australian Conservation Foundation (ACF) reflects a fundamental change in the strategy of the peak environmental group which, until 1990, could make or break political parties. The shift also puts it on a different course from Greenpeace which maintains a radical stance.

The new ACF executive director, Ms Tricia Caswell, is at ease with business and industry leaders and has a strong background as trade union negotiator. She heads a new-look ACF which is more economics-literate and willing to face industry representatives across the table and negotiate in economic terms.

Until 1990, the ACF had a confrontational image, fired by a swell of support from an increasingly conservation-conscious population. It rode high on the support and used it to score major victories against big industrial projects.

It also wielded great political influence which it mobilised during the 1990 federal election to put the Labor Party back in power.

But the movement now seems to recognise that a confrontationist stance no longer works magic on a population whose main concern is unemployment, not the environment.

## ECONOMICS

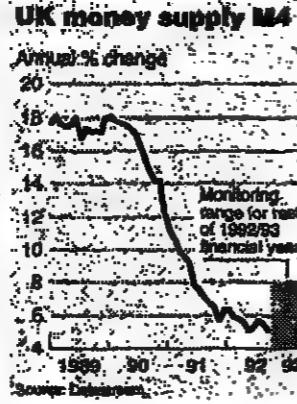
**Money supply stays on target**

THE mid-month rush of UK statistics this week includes the October money supply figures. Few will be surprised to see the M4 broad measure fall well within the new target range, announced by the Chancellor in parliament last week.

Target growth range for M4 – noted and colour in circulation and bank and building society deposits – will be 4.0 per cent. Conveniently, M4 grew by 5.1 per cent in the year to September, almost being in the middle of the target range, and is forecast to drop to 4.85 per cent in the year to October. With inflationary pressures subdued, most economists say the upper limit of the target range is unlikely to be breached in the near term. It is more likely to drift to its lower limit.

There is also important data on the US real economy. Figures for industrial production today should give President-elect Bill Clinton a better idea of the scale of the task of re-vening the US economy.

Other economic highlights and events follow. Figures in brackets come from MMS International, a financial information company, and are the



median of independent analysts' forecasts.

Today, France, October preliminary consumer price index (up 0.2 per cent on the month, up 2.5 per cent on year); Finland, September CPI (up 2.75 per cent on year); Sweden, October trade balance; Japan, September industrial production, October wholesale price index (down 0.6 per cent on month, down 1.2 per cent on year); US, October industrial production (up 0.2 per cent), October capacity utilisation (7.4 per cent), September business inventory (flat); Canada,

September unfilled orders, September department store sales (down 0.5 per cent on year), September wage settlements (up 2.7 per cent).

Tomorrow: UK, October PSBR (£1.4bn); CBI distributive trades survey for October; US, Johnson Redbook week ended November 14; Federal Open Market Committee meets in Washington; Australia, September export prices.

Wednesday: UK, October retail sales (down 0.3 per cent on month, up 1.3 per cent on year); US, September merchandise trade balance (£45.5bn deficit), exports (£36bn), imports (£44.5bn); Canada, September merchandise exports (flat), trade imports (up 0.7 per cent), trade balance (£725m surplus).

Thursday: UK, Bank of England quarterly bulletin; October building society net new commitments (£2bn), October MU (up 0.4 per cent on month, up 2.2 per cent on year), October M4 (up 0.2 per cent on month, down 1.2 per cent on year), M4 lending (£15bn repayment), third quarter gross domestic product (flat on quarter, down 0.8 per cent on year); France, September business inventory (flat); Canada,

per cent; US, October housing starts (1.38m), October building permits, initial claims w/e November 7, state benefits w/e October 31, money supply data for w/e September 11; Canada, October consumer price index (up 0.2 per cent); New Zealand, third quarter retail trade.

Friday: US, minutes of October 6 FOMC meeting released; Australia, September manufacturing prices; Japan, September workers' income.

During the week: Germany, October wholesale price index (down 0.2 per cent), October producer price index – west (up 0.1 per cent on month, up 0.8 per cent on year), October M3 (0.25 per cent); Italy, October PPI (up 2 per cent on year), October WPI (up 1.85 per cent on year), September industrial production (down 1.2 per cent on year); US, October industrial production (up 0.2 per cent), October capacity utilisation (7.4 per cent), September business inventory (flat); Canada,

September money supply.

Emma Tucker

## PARLIAMENTARY DIARY

**TODAY** Committee Questions to Welsh Minister of Attorney General and Overseas Development Administration. Debates on homelessness and the mortgage crisis, and Boe.

Lords: Cardiff Bay barrage bill, second reading; Town and country planning orders; Dog control and welfare bill, third reading.

Debates on spending on books for schools, universities and libraries.

Committees: Public Accounts, 4.30pm; Subject: Overseas aid; water and the environment; Witness: Mr Timothy Lankster, permanent secretary, Overseas Development Administration; Treasury and Civil Service, 4.30pm; Subject: 1992 Autumn Statement; Witness: Mr Norman Lamont, Chancellor of Exchequer.

**TONIGHT** Commons: Education questions; Questions to the Prime Minister; Trade and Industry and Employment bills, second reading; Lords: European Economic Area bill, committee; Insurance companies (amendment) regulations; Debate on EC report on protection of posted workers; Debates on community legal centres.

Committee: Social security: Disability benefits. Witness: Mr Michael Bidwell, chief executive, the Benefits Agency, 10.30am. Treasury and Civil Service, Subject: The 1992 Autumn Statement. Witness: Mr Michael Portillo, chief secretary to the Treasury, 11am.

Trade and industry, Subject: British energy policy and the market for coal. Witnesses: Major Energy Use Council and Energy Intensive Users Group and PowerGen, 4pm.

**WEDNESDAY** Commons: Scottish questions; Debate on Chancellor Norman Lamont's Autumn Statement.

Lords: Debates on the north-east economy, the Food and Agriculture Organisation and Ashworth Hospital. Gas (except supplies) bill, committee.

Committee: Environment, 9.15am; Subject: Forestry and the Environment. Witnesses: Countryside Commission; National Park Council Group; Society for Nature Park Staff; Science and technology, 9.30am; Subject: Policy and organisation of Office of Science and Technology. Witness: Professor William Stewart, Chief scientific adviser, Scottish Affairs, 10.30am; Subject:

Future of Scotland's transport links with Europe. Witness: BAA; Scottish Airports Ltd; British Airways; Trade and Industry, 10.30am; Subject: Energy policy and market for coal. Witnesses: Coalfield Communities Campaign; John T Boyd, consultant; Enron Europe Ltd; Transport, 11am; Subject: Future of the railways. Witnesses: British Coal; Peter Yeo, Amec Ltd; Official Rail Freight Group; Freight Transport Association; Transport, 4pm; Subject: Future of the railways. Witnesses: National Power; PowerGen; P&O containers; TNT Express; BRS Transport division; Education, 4.15pm; Subject: Specialist training and vocational needs. Witnesses: British Gas; Workforce Watch; Hospital. Gas (except supplies) bill, committee.

Committee: Environment, 9.15am; Subject: Forestry and the Environment. Witnesses: Countryside Commission; National Park Council Group; Society for Nature Park Staff; Science and technology, 9.30am; Subject: Policy and organisation of Office of Science and Technology. Witness: Professor William Stewart, Chief scientific adviser, Scottish Affairs, 10.30am; Subject:

of Health Authorities and Trusts; Public Accounts, 4.15pm; Subject: Northern Ireland matters. Witnesses: Northern Ireland social security, Department of Economic Development Local Enterprise Development Unit; Home affairs, 4.45pm; Subject: Domestic violence. Witnesses: Crown Prosecution Service; Association of Chief Officers of Probation.

**THURSDAY** Commons: Home Office questions. Questions to the Prime Minister. End of Autumn Statement debate.

Lords: Criminal justice bill, committee.

Committee: Science and technology, 10am; Subject: The policy and organisation of the Office of Science and Technology. Witness: Sir Robin Nicholson, chairman of the advisory council of Science and Technology. National Heritage, 10.30am; Subject: Privacy and mobile intrusion. Witnesses: Mr Donald Brown QC; Mr James Michael, University College, London.

**FRIDAY** Commons: Backbench debate on workforce and right to work. Lords: Not sitting.

Committee: Backbench debate on workforce and right to work. Lords: Not sitting.

## CONFERENCES &amp; EXHIBITIONS

## NOVEMBER 25

**Remuneration Strategies For The '90s** Reducing salary costs and motivating staff do not have to be mutually exclusive. This seminar for senior managers provides ideas on achieving competitive advantage using the latest techniques. Contact: David Wilkinson, Ernst & Young, Tel: 071 931 2335. Fax: 071 333 8134.

**LONDON**

## DECEMBER 1

**Business in The Future Europe** Part of the Advert for Europa, a Bi-annual Presidency event, the conference will examine: the impact on business, political, regional, East Europe and Northern markets topics. Contributors include Willem Nelling, Gerhard Stolzenberg, Patrick Stechy and Neil Kinnock. Delegates: Mr Marc Lea, Tel: 0225 46744. Fax: 0225 42505.

## DECEMBER 7 &amp; 8

**The 7th International Energy Conference - World Energy Demand: Is Growth Inevitable?** Convened by The Royal Institute of International Affairs, The British Institute of Energy Economics and The International Association of Energy Economics. To be held at Chancery House, London. Enquiries: RIA Conferences. Tel: 071 957 5700. Fax: 071 957 5710.

## MARCH 18-19 1993

**Negotiating Skills For Accountants And Financial Managers** A specially tailored programme for finance professionals which will help you prepare, control, influence and get the result you want. Hawkstone Ltd. Contact: Tool Works. Tel: 071 824 8257. Fax: 071 730 2450.

## NOVEMBER 26-27

**Financial Reporting In The UK** The conference will review the Accounting Standards Board's progress and proposals for the treatment of capital instruments, profit and loss accounts, debt operating review, off-balance sheet instruments and intangibles. Enquiries: Financial Times, Tel: 071-251 9321. Fax: 071-251 4686.

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## DECEMBER 1 &amp; 2

**World Telecommunications** This year's conference will focus on the trends changing the shape of the industry: deregulation, privatisation and globalisation. Financing the infrastructure in the Third World and Eastern Europe will also be reviewed.

## DECEMBER 10

**British Energy Policy And The Coal Crisis** A one-day technology forum at the Institution of Electrical Engineers when leading figures will debate the issues involved in developing a long-term energy strategy for Britain. Contact: Sarah Campbell, Tel: 071-240 1871. Est 324. Fax: 071-499 1155. Tel: 021 459 2198. Lafferty Conferences, London. Tel: 071-782 0590. Fax: 071-782 0596.

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## NOVEMBER 27

**Information for Strategic Planning** Fall Day: 9.00am-5.00pm. Content: The seminar looks at key areas of activity in Strategic Planning and provides practical examples of the types of information needed to carry out specific planning activities. Cost: £195 (including hand and on-line demonstrations). Contact: Adam Lawrence, Equity International Conferences Division. Tel: 071 403 8785.

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## NOVEMBER 28

**The Risk of Criminal Liability** An exploration of the risks of criminal liability for auditors, bankers, compliance officers, corporate financiers, insurers, lawyers and stockbrokers. Top speakers, practical solutions. Topics: Advances; Liability; Money Laundering; Securities related crime. Contact: Alan Peacock, Lafferty Conferences, London. Tel: 071-782 0590. Fax: 071-782 0596.

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## NOVEMBER 29 &amp; DECEMBER 1

**Managing Financial Risks** The workshop is an intensive, practical course aimed at those who wish to understand the principles and practice of financial risk management. Enquiries: Financial Times, Tel: 071-251 9321. Fax: 071-251 4686.

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## NOVEMBER 30 - DECEMBER 1

**4th Nordic International Corporate Tax Planning** The fourth symposium will advise Nordic companies on how to approach and obtain the best from their worldwide tax position by examining the domestic and international tax laws. Contact: Vicki Goffin, IBC Legal Studies and Services Limited. Tel: 071-637 4333. Fax: 071-631 3214.

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## DECEMBER 3

**Venture Forum Europe '92** Forum sessions will focus on performance measurement, investor relations, direct investments by institutions, exit strategies and succession problems in European owned businesses. Enquiries: Financial Times, Tel: 071-251 9321. Fax: 071-251 4686.

## LONDON

## DECEMBER 4 &amp; 5

**World Pulp & Paper** Arranged by the FT in association with the Confederation of European Paper Industries, International industry leaders will discuss long-term prospects for the industry and assess what corporate strategies are changing in a more complex and competitive environment. Enquiries: Financial Times, Tel: 071-251 9321. Fax: 071-251 4686.

## LONDON

## DECEMBER 10 &amp; 11

**World Financial Services Jobs Fair** Olympia 2, Level 2

Talk to the leading financial institutions at Olympia on Monday Nov 16th - Wednesday Nov 18th. Find out which financial company will give the best training, support and rewards.

## JANUARY 27 &amp; 28 1993

**Solar + Solar Photovoltaic Symposium '93** "Turning Strategy Into Reality". The symposium includes speeches, workshops and video to promote companies in solar. For a full conference programme, please contact: Solar + Solar Photovoltaic, Mr. Halford or Ms. Michael Eng, P.O. Box 632, CM4 0DQ, Basildon. Tel: +44 120 225 75 75. Fax: +44 120 225 74 74.

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## DECEMBER 14 &amp; 15

**World Pulp & Paper** Arranged by the FT in association with the Confederation of European Paper Industries, International industry leaders will discuss long-term prospects for the industry and assess what corporate strategies are changing in a more complex and competitive environment. Enquiries: Financial Times, Tel: 071-251 9321. Fax: 071-251 4686.

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## EXHIBITIONS

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## LONDON

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## RESULTS DUE

BRITISH Airways is expected to report a 40-45 per cent increase in first-half pre-tax profits tomorrow, confirming its position as one of the world's most profitable airlines. However, the City expects a small decline in the company's second-quarter profits, reflecting the increasingly tough outlook in the industry.

BA's first-half pre-tax profits are expected to be in a range of £250m-£260m, against £185m in the first half last year. But second-quarter profits are expected to total around £160m-£170m, against £115m.

The big question is whether the steel group will maintain or cut its interim dividend, held at 3p last time. There is no financial reason to maintain the pay-out, but British Steel may want to keep its options open and wait to play with the final dividend.

The market is expecting today another solid year to September from BOC, the industrial gases and healthcare group, but the slowdown in earnings growth is likely to continue. Analysts expect pre-tax profit of £245m (£210m and eps of about 45p (40.96p)). A 22p

expected to report a significant pre-tax loss today. Analysts put it at between £50m and £100m in the half year to September.

Whitbread is expected to report flat first-half profits of about £142m on Wednesday. Its retail operations have continued to suffer from tough trading conditions, particularly in south-east England.

## MANAGEMENT

Alcoa has turned conventional wisdom on its head as part of a radical reorganisation, says Kenneth Gooding

## Quantum Leap into the dark

**P**aul O'Neill is giving one of America's oldest, most hide-bound and hierarchical corporations the biggest management shake-up in its history.

From his position as chairman of the Aluminium Company of America (Alcoa), he suggests that the world's biggest aluminium producer - like too many other companies - has been following ideas rooted in the industrial revolution.

Companies attempt to establish standard patterns and practise them uniformly anywhere in the world. Their purpose is to "eliminate the upsets that come from human beings and to make things ever more mechanical and robotised".

O'Neill suggests: "The value of that model is exhausted. The model of the future for a company like ours is one where there is a framework that is understood and accepted by managers and employees but where there is an expectation of local initiative and creativity and testing the boundaries, rather than doing what somebody orders from thousands of miles away."

To this end O'Neill has inverted the conventional management pyramid at Alcoa. Instead of having the chairman at the top and the production group at the bottom, O'Neill has put the customers at the top



Paul O'Neill: taking stock of progress

with the operating units - the wealth-creators - directly beneath. Each layer then supports the one above and O'Neill sees himself at the bottom.

Rather than the usual chain of command, the heads of each

at the company a year ago, O'Neill had told his business unit managers to analyse the performance of their best competitors and he had given them two years to get to 80 per cent of that "best". He estimated then that by 1995 the so-called Quantum Leap programme would add \$1bn to Alcoa's operating profits. Now, half way through the programme, O'Neill is taking stock of progress.

In his office in one corner of the 30th floor of Alcoa's headquarters building in Pittsburgh, O'Neill seems a happy man. A small, energetic person, he frequently swings his chair away from his desk to grab a "mouse" to bring up statistics to prove a point on the computer screen behind him.

He is now confident that, rather than an extra \$1bn from the Quantum Leap, Alcoa could reap an extra \$2-3bn in operating earnings - "if we could operate at the limit of our potential". Alcoa's best achievement so far was operating earnings of \$1.4bn in 1989.

"In many respects they [Alcoa business unit managers] have exceeded both mine and their own expectations about the level of changes they could make and the pace at which they could make them," says O'Neill.

Alcoa's size - 187 locations worldwide - makes it impossible to



Sven Axler (left) of Boeing and Alcoa's Pete Wright compare notes on the development of aluminum alloys for future aircraft at Boeing's Everett, Washington plant

punctually exactly how much Quantum Leap has contributed to the company's financial performance so far. But O'Neill is sure that the programme is giving Alcoa an edge on its competitors.

One reason the programme is going so well, he believes, is because each of the business unit presidents set their own goals.

O'Neill says: "I asked them to give me their ideas on how we could achieve 80 per cent of the world's best practical limits as we know them. They were asked what the measures for the Quantum Leap should be and how they should be attained and the pace at which they should be accomplished. And there

was not a single plan that I did not 'buy'. If you leave it to individuals to set their own goals, usually they set goals more difficult than a third party would set for them."

The "counsellor" system is also working well, says O'Neill. "This system enables the business unit people to talk to others who have seasoned judgment without feeling they are talking to the boss. They can get a different perspective but they don't have to take the counsellors' advice. We have created a group of 'wise men' for the business unit managers to consult."

Information flows freely around Alcoa via its computer network. If a smelter in Brazil cracks some com-

plicated technical problem, all of Alcoa's other smelters know about it almost immediately. The most important exchanges take place on Friday afternoons when the business unit presidents tap in information about all the most important happenings and trends in their organisations. This information is not just for O'Neill but is available to all senior managers, so the presidents read one another's reports.

O'Neill suggests this system makes it almost impossible for an individual to hide any bad news from the others for very long.

Meanwhile, a year through the Quantum Leap process O'Neill is sure that most of the original goals will be met and "some will be met far sooner than we expected. In some businesses we have made so much progress that already we are looking at major improvements to the goals set in the last quarter of 1991."

Vanderhoek, that a condition for successful horizontal career development is the decoupling of hierarchy and remuneration. A manager's remuneration should be based on skill and contribution, not on the conventional basis of position in the hierarchy, size of budget and number of subordinates.

As for international deployment, multinationals will have to provide services to the spouses of expatriate managers, helping them find jobs. IBM, the US group, offers a relocation allowance, subsidies for studies abroad, and placement service allowances upon return.

"Long-term Human Resource Development in Multinational Organisations, Fall 1992 issue. Fax (US) 617-223-7170

## Multinationals face game of snakes and ladders

Christopher Lorenz reports that companies must change the way they recruit and retain staff

be followed by stagnation well into the 21st century - except, curiously, in the UK, which has been experiencing a baby boom.

At the same time, many companies that increased their workforce in the 1980s will face retirements en masse after the year 2000. The effect of this will be compounded by the declining popularity among some employees of a single-company career. Many people are becoming more choosy about what might be called the quality of life in the workplace.

A number of other factors is also contributing to the recruitment and retention problems of multinationals in particular: international mobility is being hit as managers take more account of the wishes of their working spouses and children; and a growing number of adults is reluctant to move because they care for ageing parents.

The confirmed existence of all these challenges emerges from an article in the latest Sloan Management Review by Paul Vanderhoek, human resources manager of Shell

Research in Schwabenheim, Germany". He suggests a series of actions that multinational companies should take in response to all these challenges. Some actions are obvious, others less so.

- Companies will need to hire and promote - more women.
- They must broaden their recruitment by hiring more people abroad, not just for local jobs, but ones throughout the company.
- They should hire more older managers, with more experience. And they should consider introducing

a flexible retirement age for key staff, in order to retain high-quality people longer. At the same time, however, they should use "outflow management" as a real career development tool for people who have peaked and really would be better off elsewhere.

- They should get more out of existing managers through training and job rotation. To keep the workforce morale and deployable, a substantial and unremitting effort will be required.
- Multinationals will have to fight

competition from small businesses and other employers. They may be able to "market" themselves to graduates and others by demonstrating the challenges offered by their own new organisational structures - ones which favour small units, quick lines of communication and entrepreneurship.

- Companies with newly shallow structures will also need to develop horizontal and diagonal career ladders in order to reward staff and avoid career plateaus.

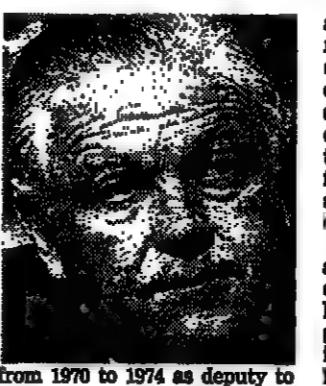
It cannot be overstressed," says

## PEOPLE

### Fanshawe for Sedgwick; Jackson for Royal

Lord Fanshawe (right), formerly Sir Anthony Royle, is to take over as chairman of Sedgwick, the insurance broker, following the departure of David Rowland who is expected to be elected chairman of Lloyd's of London later this month. Lord Fanshawe, now 68, is currently working with Sedgwick's development group and has served on the main board since 1984.

He joined Sedgwick in 1948 and worked with the group both on an underwriting box at Lloyd's and as a senior marine broker in the 1950s. Lord Fanshawe was elected MP for Richmond in 1959 and served as a minister in the foreign and commonwealth offices



from 1970 to 1974 as deputy to Sir Alec Douglas-Home. His other directorships include the Westland Group, TI Group and Rank Xerox. Royal Insurance has appointed Peter Jackson, former managing director of Adidas UK, as its new group general manager for marketing. In supervising marketing operations, he will be part of a team of senior executives, the first time Royal has appointed a marketing manager at head office level.

The move follows the appointment of a number of other senior executives at Royal who do not have a background in either the general insurance or life insurance industries.

Richard Gamble, the chief executive, joined Royal from British Airways, while finance director Mike Dowdy also comes from outside the insur-

ance industry. Now in his early 50s, Jackson has experience with Mars and Procter & Gamble, as well as Adidas. He says he is keen to gain maximum advantage from Royal's well-known brand name, explaining that the emphasis on marketing at Royal reflects "the way the business is trending".

One of Jackson's first tasks could be a re-evaluation of how Royal markets its direct motor insurance operation (sales by telephone and mass media advertising). The Insurance Service, set up in the late 1980s, TIS now underwrites three out of every 10 motor policies sold by Royal, and is making underwriting profits.



Michael Bettis has been appointed SCOTTISH TRAFFIC COMMISSIONER; he replaces Keith Waterworth who has been appointed North Eastern Traffic Commissioner, succeeding Fred Whalley who has retired.

John Tobin has been appointed finance director of BATLEY'S in place of John Stevenson who has resigned.

David Shaw has been appointed md of Redcast, part of BURTON GROUP; John Bywater has resigned.

Nick Blackford, formerly sales and marketing director at IVECO-FORD Truck, has been appointed sales director of SEAT UK. Robert Pellow is appointed marketing director.

Michael Nehrmann, formerly head of sales planning and support with the TSB, has been appointed head of marketing at MANWEB.

Jon Skinner (above) has been appointed sales and marketing director of Vinyplex, part of HEYWOOD WILLIAMS GROUP.

Colin Morrison, executive chairman of EMAP's business publishing division, has been appointed to the main board.

Keith McEwan has been appointed a director of WILSON BOWDEN.

### "WHOSE BUSINESS SCHEDULE ARE YOU WORKING TO?"

"We apologise for a further delay in the departure of flight 104! Sound familiar? Well you'd better get used to it."

Research shows that over the next ten years the number of passengers using commercial airlines is expected to double. Expect overcrowding and delays to do the same.

Expect to spend more time crawling along the motorway and even longer check-in times.

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With it you can avoid traffic congestion and indigestion by taking off and landing at an airport of your choice. A corporate jet puts you in control of your business schedule and the environment in which you work.

In order to evaluate the business advantages of operating a corporate jet, we've compiled The BAe Guide to Corporate Travel. For your copy,

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British Aerospace Corporate Jets Limited (HTF2), Comer Way, Hatfield AL10 9TL, England. Fax: (0707) 253807.

### Eddies from Copp's departure

Biwat, the privately-owned water contractor which also controls three water supply companies, has appointed Kenneth Gardner as chairman of Bournemouth and West Hampshire Water companies, following the resignation of Martin Copp.

Gardner, 66, who spent two decades at ICI and who has been a director of telecommunications group STC since 1987, has been on the main Biwat board on a part-time basis for six years and is vice-chairman (finance) and chairman of its finance and audit committee.

Shortly before the resignation of 54-year-old Copp, who

was also deputy chairman of East Worcester water company, Biwat had effected an internal reorganisation whereby the three water companies were put into a new division, entitled Biwat Services (Holdings), with Biwat executive director Robin Turrell installed as chief executive.

"I feel the company wanted to get more and more involved (in running the water supply companies). I could no longer clearly see a role for an independent chairman," says Copp, who has recently become a non-executive director of Portslade.

Biwat owns 98 per cent of Bournemouth and 80 per cent of

Jill notes

## ARTS

**Colin Amery visits the new Supreme Court in Jerusalem**

**Tablets of stone**

**H**istoric moments are rare. It was a privilege to be in Jerusalem last week for an important moment in the history of Israel: the completion of the new Supreme Court. Trumpet, drum and harp sounded. A sea of notables filled the great hall to applaud and solemnise the inauguration of the seat of the law. Only Jerusalem could have provided the procession of president and patriarch, priest and rabbi, hooded Armenian and dusty robed Orthodox as well as the graciousness and glitter of the internationally committed group of supporters of Israel.

In 1986 I was asked to be a member of the international jury to select an architect for a new Supreme Court. The project was to be entirely funded by the Rothschild family foundation in Israel, Yad Hanadiv. There is an appropriate symbolism in the opening of the courts for the Rothschild family: it marks the 100 years since Baron Edmond de Rothschild supported the first Jewish settlements in Eretz Yisrael. It is also a major landmark for the family foundation that has consistently given discreetly to innumerable projects in Israel. In 1957 the foundation gave Israel its Parliament buildings, the Knesset, the first major public building in what is now becoming the National Precinct in West Jerusalem. The new Supreme Court is located in the same area – that part of the new Jerusalem which lurks round the foot of the inelegant tower of the Hilton hotel. The whole area is gradually to be integrated with older Jerusalem by a new master plan.

When judging the international competition to find an architect the jury had to tackle two problems. Firstly there

were all the sensitivities of placing a new public building on an important site that is not yet anchored in the city. The second challenge was to find a design that could symbolise the enormous significance of the law in Israel and yet not be oppressive or overbearing in its language. Not for Jerusalem the weight and pomposity of the courts in Brussels and the gothic mystery of England's House of Lords.

The winning design was produced by two Israeli architects – the brother and sister team of Ada Karmi-Melamedi and Ram Karmi from Tel Aviv. The fact that they came from a distinguished architectural family in Israel perhaps gave them the crucial edge in understanding both the landscape and architectural traditions of Jerusalem and the delicate question of the appropriate architectural symbolism for this commission.

The architects have built before in Jerusalem, but this is their first joint project. Things change during building but I can say with a certain detachment that the final result is a triumph. My own reason for choosing these architects was that they seemed to have a wonderful understanding of the simple elements that make up the architectural context of Jerusalem. Two of these are light and history. As the architects have said, Jerusalem is "possessed" by light and obsessed by its past. I would add that above all it is a city of stone.

The challenge for any architect building a public building in Jerusalem must be – how to let the tide of history wash over your late 20th century drawings. To be asked to enshrine the law in Jerusalem is almost like being asked to design the Temple. The archi-

tects made one crucial decision that supports all the others: the building is seen as part of the land. It is long and low, rooted in the soil and introverted. As in the Old City, you are always aware of the walls. In the new Supreme Court the dignity of the outer walls extends inside with a long and powerful spine wall that runs through the centre of the building. It is a reminder of strength found in the land.

On one side of the spine are the five courts and on the other are the giant, tall public foyer and law library. The public entrance is at the knuckle joint of the plan between the judges offices and the courts. The entry is tight, presumably as a security funnel, but soon widens to a grand stone staircase with a sumptuous view of Jerusalem through a large curved window. Here you turn into the second "gate" of the courts – a square hall beneath a soaring pyramid roof. The visitor is urged to look upwards at this point because here the architects' understanding of light is seen at its most concentrated. Four

circular openings at the apex of the pyramid allow a column of light to move around the space in much the same way that light moves around Rome's domed Pantheon from a single oculus.

**T**his square hall and turning point in the plan is encircled by a curved library of unassailable elegance. To move from the geometric intensity of the pyramid to the grand and relaxed curved hall of the public foyer is to experience an expansive contrast. Of course the grand arcade of Le Corbusier's Chandigarh courts comes to mind – but here is marble, plaster and golden stone, not sand and stained concrete. The

spine apses contemplating the calm atmosphere of these five rooms. Above all it is the sensitive manipulation of light and the simplicity of the detail and furnishings that makes these rooms beautiful.

When not in court the 13 Supreme Court Judges will occupy a set of fine offices grouped around a stone cloistered courtyard. It is a place of silence interrupted only by the sound of a narrow rill of water moving gently as though in some Moghul garden. This courtyard is a brilliant example of an architecture suggestive of tradition and yet miraculously made in the late 20th century.

The opening of the Supreme Court in Jerusalem was accompanied by a major international seminar on "The Public Building – Form and Influence" that prompted lively international debate. But words do not make buildings. Jerusalem's Supreme Court shows in stone the power of strong architectural talent and judgment. It has a timeless and elemental strength that miraculously reflects the law itself.

## Theatre

**Dangerous Corner**

J.B. Priestley (1894-1984) wrote his first play, *Dangerous Corner*, in 1933. England was in recession, unemployment around three million, and society changing rapidly. Under identical circumstances in 1982, Priestley's message holds true: the future must be reworked from the past, learning from mistakes. The Birmingham Rep's production of *Dangerous Corner* offers a meticulous account of this unique comedy thriller, enthralling and instructive.

*Dangerous Corner* belongs with *Time and the Conways* (1887), *An Inspector Calls* (1946) and with Anthony Powell's *The Dark River* (1938). All are forensic studies of society which start in the present to uncover the past.

The production opens with a billowing curtain drawn upward, like a dust sheet, revealing a frozen social tableau. A chance after-dinner remark about a cigarette box leads six upper-middle class characters into a sticky web of connection. They deep question each other into the early hours. All emerge as Mars, sometimes pernicious, but more often muddled and confused: "The real truth is something so deep you can't get at it; all half-truth does is to blow it all up. It isn't civilised."

Priestley contrives a plausible ending by making the news of past events bear on present relationships. But the play commits itself to more than the search for truth, since the action uncovers sex, drugs, greed and hatred beneath the sober patina of polite society. It amounts to social archaeology. Just as Priestley's *English Journey* (1934) found

old England in York and Durham, Victorian England in Manchester, and post-war England in filling stations and cigarette coupons, so *Dangerous Corner* finds women's sexuality in an after-dinner smile, new commercial attitudes in the flourish of a dress, old values in a formal goodnight.

Robert Jones' excellent design is a simple drawing room with the Priestley essentials: whisky and a way out to the conservatory. Gwendoline Hughes's direction misses the fun and clichés embedded in the play, and takes itself too seriously: one woman returns to the party, convinced she is being talked about; an outraged hostess battles with her husband's crooked business partner with "he'll get no sandwiches from me". The acting of Marilyn Cutts, Graham Padden and David Hobbs catches some of Priestley's wit; the other actors have yet to find the right tone.

Priestley offers a quiet coda, repeating the first scene, in which the casual question which started the previous three acts is deftly turned aside, a road not taken. It is a witty turn into a social rather than philosophical definition of truth. But then, even serious philosophy can be distractingly Bertrand Russell once asked G.E. Moore, "Do you always tell the truth?" Moore replied, "No." Russell recalled: "That was the only lie I ever knew him to tell."

Andrew St George

Birmingham Rep (031 236 4455)

**Wexford Trilogy**

On the first three Saturdays in December it is possible to see all three plays in Billy Roche's Wexford Trilogy performed on the same day. Since London's tiny Bush Theatre will be almost certainly booked out, it may be wise to try to catch any one of them while they appear separately on week nights.

The order does not greatly matter. The play stands on its own. What they have in common, apart from the authorship, is a huge amount of insight into life in a small Irish town and a marvellous cast directed by Robert Lefèvre. The first, *A Month of Sundays*, is set in a billionatisches, the second,

*Poor Beast in the Rain*, in a betting shop, while the third, *Believe*, moves as its title suggests close to the church.

Until last Saturday I thought *Believe* was the best, largely because it shows Roche continuing to mature as a writer. Yet *Poor Beast* is at the heart of the trilogy, for here we come up most sharply against the tragedy of small town Ireland and perhaps of Ireland as a whole: the desire of some of its brightest people to leave.

The key example in *Poor Beast* is "Danger" Doyle, played by Liam Cunningham. By any normal standards, he is not a big figure; by Wexford standards, he is part of the mythology. Everyone remembers that he was in trouble with the police, and left for England with a woman whose daughter remained behind. Having lost his job in a British tobacco factory for stealing cigarettes, he now works in a car plant. When he returns to Wexford to pick up

the daughter, he is in a smart suit and stays at the County Hotel. In other words, he has made it to the big time.

*Poor Beast* works by juxtaposing those who leave, those who wish to go but do not have the will, and those who stay. It also makes great play of the differences between generations. Steven, the father of the girl, claims never to have packed a bag in his life; Wexford is enough for him. Joe, from the middle generation, says Wexford is "the greatest little town in Ireland", but still hankers after his boyhood days with Danger, when the pair of them would raid the betting shop.

The background to *Poor Beast* is the All Ireland Final, the game being hurling. It is the excitement of the year, partly because Wexford is involved in little else except everyday life. Yet it is in the details of this hundred-year existence that Roche is so skilled: there are dramas beneath the surface, like the girl Molly whom Danger has abandoned.

Molly is wonderfully played by Ingrid Craigie. She is not alone. Dervla Kirwan as the daughter sheds real tears. Des McAleer, as Joe, will come into his own in a bigger part in *Believe*, which starts tomorrow. My only reservation about the trilogy is whether it will work on a larger stage. At the Bush it is close to perfection.

Malcolm Rutherford

Wexford Trilogy, Bush Theatre, London W1, (081) 743 3388

conducts Orchestre de la Suisse Romande in works by Zimmermann and Beethoven (311 2511)

**THEATRE**

A production of two short Marivaux plays runs at the Comédie from tomorrow till Sat. Next week: Musical Theatre of Moscow presents The Bedbug, musical play after Mayakovskiy (320 5001). Gorky-Tsvetovogov Theatre of St Petersburg opens a two-week residency at Théâtre de Carouge tomorrow with an Ostrovsky production (343 4343)

**■ NEW YORK**

**DANCE/OPERA**  
State Theater New York City Ballet opens its winter season tomorrow with a gala featuring a new pas de deux by Peter Martins along with three works by Balanchine. The rest of the week is devoted to repertory performances. The annual presentation of Balanchine's Nutcracker production opens on Nov 27 and runs till Jan 3 (870 5570).

**CITY CENTER** Houston Ballet is in residence from Wed till Sun. Dec 9-Jan 3: Alvin Ailey American Dance Theater (581 1212).

**METROPOLITAN OPERA** Christine Weidinger sings the title role in tonight's performance of Semiramide (also Fri). Tomorrow and Sat afternoon: Tosca with Ghena Dimitrova and Lando Bartolini. Wed and Sat evening: L'ellis d'amore with Ruth Ann Swenson and Enzo Dara. Thurs: Marcello Panni conducts first

night of Francesca Zambello's new production of Lucia di Lammermoor, with June Anderson, Richard Leech, Juan Pons and Paul Plitschka. Further performances on Nov 24, 28, Dec 2, 5, 9, 12, 15, 18, 24 (362 6000).

**Brooklyn Academy of Music** The Philip Glass/Roger Wilson music theatre piece Einstein on the Beach runs daily from Thurs to next Mon. These are the only American performances on the current world tour (718-638 4100).

**CONCERTS**

Avery Fisher Hall James DePrist

conducts tonight's concert by Juilliard Orchestra, including Walton's Violin Concerto and Bartók's Concerto for Orchestra.

**TOMORROW** André Previn conducts New York Philharmonic in works by Haydn, Ravel and Beethoven, with piano soloist Emanuel Ax. Wed: Christoph Eschenbach conducts Houston Symphony Orchestra in works by Ives, Prokofiev and Dvořák. Thurs, Fri: Sat: Kurt Sanderling

conducts NYPO in

all-Rakhmaninov programme,

with Peter Rosemeyer in Third

Plane Concerto. The following

two weeks of Philharmonic

concerts are conducted by Kurt

Masur (675 5030). Gary Lakes

gives a song recital on Sun

afternoon in Alice Tully Hall (721 6570).

**Carnegie Hall** Alicia de Larrocha

gives a piano recital tonight.

**TOMORROW** The concert by

Philadelphia Orchestra,

conducted by Klaus Tennstedt,

includes Mahler's Fourth

Symphony with soprano soloist

Roberta Alexander. Thurs and

next Mon: Vladimir Ashkenazy conducts Royal Philharmonic Orchestra, with works by Sibelius in the first programme, and Bax, Barber and Shostakovich in the second. Fri and Sat: Leonard Slatkin conducts St Louis Symphony Orchestra and Chorus in Maxwell Davies' *Worlds*, Orff's *Carmina Burana* and Bolcom's *Songs of Innocence and Experience* (247 7800).

**■ VIENNA**

**OPERA**

Staatsoper Elizabeth Connell sings the title role in tonight's performance of Ariadne auf Naxos. Tomorrow: Tosca with Mara Zampieri and Neil Shicoff. Thurs and Sun: Salomé. Thurs and next Tues: La fille mal gardée. Fri and next Mon: Katya Kabanova. Sat: Il barbiere di Siviglia (5144 2960).

**WIEN MODERN**

Vienna's annual contemporary

music festival focuses this year on Dallapiccola, Henze, Xenakis and Schwertsik. Most events take place at the Konzerthaus. Tonight and tomorrow: Arditti Quartet

plays works by Xenakis, Henze, Boulez and others. Tonight at

Musikverein: Michael Boder

conducts Austrian Radio

Symphony Orchestra in Henze's

Tristan, with piano soloist

Homero Francesch. Thurs: Horia Andreescu conducts Vienna

Symphony Orchestra in a

Schuberts premiere. Fri: Arnold Schoenberg Chorus. Sat: Zoltan Pesko conducts Slovák

Philharmonic Orchestra. Sun:

Friedrich Cerha conducts works

by Ruggles, Ives and Xenakis.

The festival runs till Nov 27 (712 46860).

**CONCERTS**

Tadaaki Ochiai brings the BBC Welsh Symphony Orchestra to the Konzerthaus tonight.

(Hoddlinton, Bartók and Elgar,

with piano soloist Paul Crossley)

and the Musikkverein tomorrow

(Brahms, Britten and Beethoven,

with violin soloist Raphael Oleg).

James Levine conducts Vienna

Philharmonic Orchestra in works

by Brahms and Debussy on Fri

and Sat afternoon and Sun

morning, with soloist Anne Sofie

von Otter. Schubertiade events

in the Brahms-Saal include

Lieder sung by Hermann Prey

tonight and tomorrow, and piano

recitals by Oleg Maisenberg on

Wed and Andreas Schiff on Sun

morning. John Shirley-Quirk

gives a song recital next Tues.

Nov 28, 29: Georges Prêtre

conducts Brahms' German

Requiem (505 81

## FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL  
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Monday November 16 1992

## Watchdogs off the scent

**SINCE** SIR Kenneth Lucas first put the case for a single watchdog for retail financial services in a report for the Securities and Investments Board earlier this year, the debate on the proposed Private Investment Authority (PIA) has sunk into a dismal stalemate.

The banks and building societies have little financial interest in signing up, since they would then risk being saddled with a bill for the shortcomings of Fimbra, the self-regulatory organisation (SRO) chiefly responsible for independent financial intermediaries. Life assurance companies are reluctant to sign up unless the banks and building societies are on board, because they do not want to bear a disproportionate part of the regulatory costs of the system. And Fimbra's members, who are unable themselves to bear the full cost of compensating the victims of the black sheep in their own flock, are a large and disparate bunch whose readiness to vote Fimbra out of existence in favour of the PIA is open to question.

Such a deadlock would test the mettle of a game theorist. It poses a potentially overwhelming challenge for Mr Andrew Large, the head of the Securities and Investments Board, who has been asked by the chancellor to review the workings of the system instituted by the Financial Services Act. If leading practitioners are to be believed, the PIA is limping before take-off. The chief executive of the Prudential recently declared: "It has become apparent beyond reasonable doubt that PIA does not enjoy the support necessary among potential constituents to achieve its successful launch as the sole regulator of private investment business."

In dealing with Fimbra, Mr Large has a fundamental problem with the voluntarist nature of the system. Practitioners are entitled to choose their own SRO. Yet the SIE does not have many carrots with which to induce voluntary

compliance with its wishes. Short of offering total immunity from infection by Fimbra, which would make a nonsense of the Lucas proposals, it is hard to see how sufficient banks and building societies could be persuaded to come in. And they can reasonably argue that if there is a public interest in keeping a large number of independent financial intermediaries in business, then the bill should fall on the public purse.

The sticks are more impressive, but not much more. The SIE has the power to derecognise individual SROs. But that is a realistic threat only for Fimbra, and its effectiveness might be hard to gauge. The more draconian sanction is closer government oversight. Yet when the chief executive of the Prudential is already arguing for precisely that, the threat scarcely looks daunting. Nor is the government anxious to add the task of controlling predatory life assurance salesmen and fears of a revival of the extreme right.

The SPD's national, Lander (provincial) and city leadership, under pressure in the regions from the extreme right-wing, recognises that some controls must be imposed on the influx of foreigners. But the traditional left, and those SPD members not in power in the Lander, wish to preserve the right to asylum at all costs, precisely because of the political persecution by the Nazis.

Mr Björn Engholm, the party leader, has put his position on the line, having favoured the introduction of curbs aimed at preventing people from abusing the country's liberal asylum law.

The SPD's position is crucial to any amendment of the right to asylum, which is guaranteed under Article 16 of the German constitution. Any change, such as that proposed by the ruling conservative coalition of Christian Democrats (CDU), Christian Social Union (CSU) and Free Democrats (FDP), needs the support of the SPD to have a two-thirds majority in parliament.

Yet many believe that any outcome from the debate about amending Article 16, which states unambiguously that "persons persecuted on political grounds shall enjoy the right of asylum", will be futile unless all political parties recognise the need for an immigration policy.

No matter what amendments are made, these will still deal with the issue of refugees. Instead of the whole question of allowing people to emigrate to Germany, as it stands, the 6m foreigners living in Germany have few political rights, because there is no immigration policy, access to citizenship is restricted.

The SPD, like the other political parties, will have to face the fact that Germany needs an immigration law," says Ms Cornelia Schmalz-Jacobsen, an FDP parliamentary deputy and head of the

Irena K is fed up with foreigners in Germany. "They are letting in too many people from Poland, Russia and Romania. Nobody works hard any more. Something has changed in Germany since unification." As she walks away the late morning in a cafe in Pöhl, a comfortable middle-class suburb of Cologne, she starts to complain about the gypsy refugees from eastern Europe. There are more than 150 who have lived for the past four years in temporary housing a mile away. "They are ruining the country," she says.

The irony is that Irena speaks with a heavy Polish accent. She came to Germany only two years ago from Katowice in southern Poland. As an Aussiedler, an ethnic German living outside the federal republic, she has the automatic right to live in Germany.

Her views capture something of the confused debate arising from the social and economic impact of German unification, and the current uncertainty about how to cope with an influx of tens of thousands of foreigners seeking asylum every month.

Asylum is once again the most controversial issue on the political agenda in Germany. It has deeply divided the country. The opposition Social Democratic party (SPD) today opens an emergency congress to debate the topic, which has revived unwanted memories of Germany's ignominious history and fears of a revival of the extreme right.

All this points to a messy outcome, and there is a risk that the whole purpose of the system will be lost from view. While the practitioners argue about issues of competitiveness and regulatory cost, there is evidence that a disproportionately large number of asylum seekers incur painful losses as the result of its unsolicited encounter with the insurance industry - a sorry comment on the four years of operation of the new system.

To bring insurance companies and salesmen to clean their act will probably require more rigorous enforcement and tougher penalties than anything seen so far.

Adequate compensation arrangements will continue to be vital. Whether a practitioner-dominated system can deliver on those counts is questionable in the light of the row over the PIA. The incremental approach to reform which Mr Large instinctively favours may well be right for the wholesale markets. But in retail finance tougher medicine is called for.

## Serb sanctions

ECONOMIC SANCTIONS have not had a good press lately. In the case of Iraq, the evidence is that many countries, including the US, Britain, France and Germany, did not respect either national guidelines or United Nations resolutions on the subject.

The fact that sanctions are broken, however, does not prove that they never attain their objectives. Few people now doubt that sanctions made an important contribution to the eventual defeat of the former white regime in Rhodesia.

UN sanctions against Serbia have proved no exception to the rule. By requiring all nations to stop trading with Serbia in any commodity, including oil, for which Serbia relies on imports for 75 per cent of its needs, the embargo had the potential of crippling the economy.

As so often before, the sanctions have proved very leaky. The extent of the violations was underlined last week by Mr Cyrus Vance, one of the UN mediators for Yugoslavia. Mr Vance told the Security Council that oil was getting through in ever larger quantities to Serbia and that queues at

petrol stations in Belgrade had virtually disappeared. The US, meanwhile, has accused owners or managers of ships in several nations of violating sanctions in the Adriatic.

Yet the new UN sanctions resolution, due to be adopted this week, is not just an empty gesture. It is intended to plug the loopholes in the present regime by giving the international naval force in the Adriatic the right to stop and search suspect ships, instead of just monitoring them.

Tighter controls will also be established by international "sanctions assistance missions" at key transit and transhipment points along the Danube and at border crossings with Serbia-Montenegro.

It would be naive to believe that these measures will totally cut Serbia's supply lines. But it should make life much more difficult for sanctions-busters in Bulgaria, Romania, Hungary and Greece. With a political solution still remote, the effective application of sanctions remains the most powerful tool in the hands of the international community to bring the former white regime in Rhodesia.

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## China's reformer

ZHU RONGJI, who arrived in London yesterday for a tour of Britain and Scandinavia, has a reputation as a trouble-shooter who handles serious problems sensitively. He will need these skills as just promoted to the standing committee of China's Politburo, he leads the first significant mission to the west after the beginning of a new and difficult phase in Beijing's foreign relations.

Uncertainties have been created by two events beyond China's control: the election of Governor Bill Clinton, who promises as US president to take a tougher line linking trade privileges to China's human rights performance; and the proposal by Chris Patten, Hong Kong's governor, on broadening democracy ahead of China's resumption of sovereignty over the territory in 1997.

The continued development of market-oriented prosperity in China lies at the heart of both. It is also Zhu's responsibility since, as vice-premier and head of the Economic and Trade Office - a new body which parallels Japan's Ministry of International Trade and Industry - he is the chief executive of Deng Xiaoping's economic reform programme.

The stakes for Zhu are high: previous pretenders to the mantle of 38-year-old Deng have fallen by the wayside. Renewed impetus for reform this year has brought double-digit economic growth and a renewed influx of foreign investment, but has raised fears of inflation and overheating. There is an even greater need to reform state

industries, cut down bureaucracy, and break the "iron rice bowl" while softening the blow for possibly millions of redundant workers. These are Zhu's main tasks as the attempt to create a "socialist market economy" - capitalism under authoritarian one-party rule - enters its most challenging stage.

Withdrawal of Most Favoured Nation trade status by the US - congressional pressure for which was resisted by President Bush - would strike at China's exports, making it a less attractive place to invest and undermining the domestic position of reformers such as Zhu. He and his colleagues need to canvass support abroad for the view that growing economic freedom is the best way forward. Western governments should continue to accept that view, fostering trade and investment while insisting on better performance on human rights.

The approach of constructive engagement, to which Britain has subscribed, should encourage China to talk sensibly about the chief issue currently dividing them: Hong Kong. Zhu's visit offers an opportunity - particularly since Mr Patten will also be in London - for quiet mending of the rift caused by Mr Patten's proposals and the virulent reaction to them in Beijing. China has failed to show that Mr Patten's limited suggestions break previous agreements. An unstable Hong Kong would undermine the southern powerhouse of Chinese growth. It is in China's interest to begin discussions to head off such dangers.



Within hours of my predicting that this would happen, Norman Lamont flooded an interviewer on the BBC's Today radio programme by asking whether he was being accused of stimulating the economy too much or too little, or whether he should have borrowed more or less. My own immediate answer was that the chancellor was stimulating too little on the fiscal side, but taking too many risks with monetary policy and sterling.

I am always relieved to find some City analysts agreeing with me. The price this time goes to Keith Skeoch of James Capel, who writes that Norman Lamont's "non-membership of the Magic Circle may have been reconsidered in the light of the Autumn Statement where, with the aid of mirrors, the chancellor presented what amounted to a discretionary tightening of fiscal policy as part of a recovery package. As we suspected it might, the new growth-oriented policy consists of more of the same - cuts in interest rates and a depreciation in sterling. Mr Lamont implicitly admitted as much by cutting rates by 1 percentage point at a time when sterling's index was at an all-time low."

The risks were also admitted by the Treasury in forecasting a stall of the fall in inflation, at around its present level, despite the fourth year of recession or abnormally low growth and an above-equilibrium unemployment rate.

The hiccup is obviously owing to a minimal allowance for sterling's latest depreciation. The realism of the government's commitment to maintain inflation within the target 1 to 4 per cent band, still more to reduce it eventually to its lower end, depends on this devaluation being the last of many since 1987, and probably on its being partially

Efforts to curb the influx of foreigners seeking asylum in Germany have split the country in two, says Judy Dempsey

## Cracks behind the unity

A rising tide: asylum seekers in Germany

Origin	Number	% of total
Former Yugoslavia	99,159	31.0
Turks	74,578	22.4
Bulgarians	25,303	6.4
Nigerians	15,902	5.3
Vietnamese	9,450	3.0
Former Swiss	8,521	2.5
Zoroastrians	6,681	2.1
Germans	5,972	1.8
Albanians	5,245	1.6
	5,048	1.6



Origin	Number	% of total
Former Yugoslavia	25,303	18.7
Turks	22,114	15.4
Lebanese	15,223	11.1
Poles	9,226	6.5
Bulgarians	8,341	5.8
Afghans	7,271	5.2
Palestinians	5,723	3.9

asylum seekers are provided with housing and social welfare benefits, which the right believes are being exploited by those abusing the asylum law. Bavaria's right-wing CSU, the junior partner in Chancellor Helmut Kohl's coalition, is campaigning for an end to the appeal process, the scrapping of the asylum right in Article 16, and an immigration law.

The current asylum debate has arisen for two reasons: the growing numbers of people seeking asylum in Germany, and the rise of the far right.

More than 190,000 people arrived in Germany in 1990 (see chart), all invoking Article 16. The number rose to more than 250,000 in 1991, and is likely to reach 500,000 this year. Within the European Community, more than 80 per cent of all asylum applications last were lodged in Germany.

The numbers have swollen, not only because of the war in the former Yugoslavia, but also because unification has given Germany a 1,300km open border to the east, straddling Poland and Czechoslovakia. Much of it is impossible to police; in stretches, the Oder-Neisse river is only six inches deep. Those who cross the border can claim asylum and remain in Germany until their cases have been heard.

No matter what amendments are made, these will still deal with the issue of refugees. Instead of the whole question of allowing people to emigrate to Germany, as it stands, the 6m foreigners living in Germany have few political rights, because there is no immigration policy, access to citizenship is restricted.

The SPD, like the other political parties, will have to face the fact that Germany needs an immigration law," says Ms Cornelia Schmalz-Jacobsen, an FDP parliamentary deputy and head of the

government-backed Department for Problems of Foreigners. "There is no point in amending the constitution if we are not prepared to introduce a policy on immigration," she adds.

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# The incredible shrinking industrial base

**Tony Jackson** assesses whether services can compensate for the decline of manufacturing in Britain

**I**t is a fair rule of thumb that whenever the British start extolling the virtues of manufacturing, their economy is in trouble. It is thus a measure of the depths of the present recession that in recent weeks members of the government, from the prime minister down, have gone out of their way to insist that manufacturing is close to their hearts. As usual, there is corresponding contempt for the notion that the British can earn their living from services: "dressing in smocks", as a chairman of ICI once put it, "and showing tourists round medieval castles".

The British bias towards manufacturing is partly a matter of history. The UK economy was built on it, as the trade and industry secretary, Mr Michael Heseltine, assured British industrialists last week. And as British manufacturing has lost ground in a world context, so too has the British economy.

The experience of the 1980s has added an extra twist. In the last recession, the service industries of London and the south-east emerged relatively unscathed. This time they have taken a hammering. Services, in the popular imagination, now consist of yuppies in red braces and estate agents. They are not real and solid like manufacturing. They cannot be relied on when the going gets rough.

A refinement of this view, repeatedly advanced at last week's conference of the Confederation of British Industry at Harrogate, is that manufacturing has absolute priority because services depend on manufacturing for a living. A moment's reflection suggests this is nonsense. When Tesco decides to build a new supermarket or Forte a new hotel, the construction industry is being driven by the demand for services. When the City of London went through its Big Bang in 1986, one immediate result was a huge increase in demand for computing equipment. Manufacturing and services, in short, depend on each other.

They are also becoming increasingly difficult to unscramble. The point is neatly illustrated in a recent publication from the Organisation for Economic Co-operation and Development\*. Perhaps the archetypal manufacturing company is General Motors of the US. One of its biggest suppliers is not a steel or components company, but the health insurer Blue Cross-Blue Shield. One of GM's biggest products is financial services, in the form of loans and insurance to dealers and customers.

It is also easy to exaggerate how far services have supplanted manufacturing as a source of British jobs. Granted,



there has been a steady fall in the proportion of the workforce employed in manufacturing. But over the last decade the same is true of almost every country in the developed world, including Japan and Germany. The UK ranks sixth - above the US or France - in the proportion of its workers employed in manufacturing.

Unfortunately, this does not mean that the UK does not have a problem. It is one thing to produce the same amount of manufactured goods with

national income. Twenty years before, the proportion was almost identical. It is very welcome that British services can hold their own in the world and contribute a consistent surplus. But the surplus seems in real terms to be static, while manufacturing continues to decline.

This raises the obvious question of whether the performance in services can realistically be expected to improve. Judging by international comparisons, the answer once again seems to be no.

Among the nations making

up the OECD, it is a curious and revealing fact that the half dozen showing the slowest growth over the past 30 years have all had faster growth in services than in manufacturing over the period. The fastest-growing countries have all been the other way round.

The point is illustrated with particular starkness in the case of the UK. Its growth in services - technically, growth in added value in services, adjusted for inflation - was higher than in several other OECD countries, at 3.2 per cent a year over the 30-year period. Its growth in manufacturing, on the other hand, was the

lowest in the OECD, at 1.4 per cent a year. It scarcely seems a coincidence that growth in its economy overall - 2.4 per cent a year - was the lowest in the OECD as well.

This phenomenon is a little tricky to explain. But there may be a clue in the fact that the worst-performing countries in those 30 years - the UK, Sweden, Denmark, Germany, the US - were mature economies in the first place, while the best performers - Japan, Turkey, Greece, Spain - were not. In other words, the countries which were poorest at the outset grew the fastest. As the phenomenal economic performance of China in the past decade suggests, growth is a lot easier to achieve when it starts from a low base.

But it is also more readily achieved in manufacturing. The reason is a familiar one: that it is much easier to improve productivity in manufacturing than it is in services. The output of a shop-floor worker can be hugely increased by the introduction of machinery. It is not so easy to do the same with a lawyer or a hairdresser.

The point is once more borne out by OECD statistics. In the period 1979-90, real added value per person employed in manufacturing in the OECD rose by an average 2.9 per cent a year. In services, the figure was just 0.7 per cent.

The conclusion from all this is obvious and faintly depressing. The only solution to the decline in Britain's manufacturing performance lies in the reversal of that decline. But it would be wrong to suppose that Britain is in this respect unique. Just as the UK was to a large extent the birthplace of manufacturing, so its manufacturing base is the first to show signs of age. But many of the same signs are present in the US. They are also starting to appear in Germany. Some would even argue that they are detectable in Japan. The question of whether the UK can reverse its decline therefore has a wider relevance.

Given the forces of history, the chances of such a reversal might seem negligible. But this is to reckon without the globalisation of world industry. Increasingly, manufacturing is becoming divorced from its country of origin. For a Japanese multinational, the relevant point about the UK is that it still possesses an industrial infrastructure and a tradition of industrial employment. Having forgotten how to make cars and consumer electronics, Britain is now being re-educated by others. As a recipe for revival it might seem something of a long shot. But it may be all there is.

\*Industrial Policy in OECD Countries: Annual Review 1992

**Just as the UK was the birthplace of manufacturing, so its manufacturing base is the first to show signs of age**

fewer people. It is quite another to produce fewer goods than the population consumes. For at least 40 years, the UK's balance of trade in manufacturing has been in remorseless decline. In the early 1980s the balance slipped into deficit, and has been there ever since. Somehow or other the British appetite for imported goods has to be paid for. Can the export of services do the job?

Judging by the historical record, the answer is definitely no. In 1990, the UK exported £5.2bn more of services than it imported. This sounds impressive, but in fact amounts to just under 1 per cent of

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achieved in manufacturing.

## Danger now is volatile pound

From Mr A A Thibaudeau

Sir, For Essochem, a UK chemicals manufacturer with 500 employees, the old central exchange rate of DM2.95 to the pound might have been a bit on the high side. But at least there was a clear target, to become competitive at around that rate. Today, "freed of the straitjacket of the ERM", companies are pressed even harder to go abroad and export. Unfortunately the pound has not only been devalued, it has also become volatile. And we find it uncomfortable to bet on exchange rates, even between European countries.

Trade abroad needs a long-term commitment and broadly stable prices in our customers' currencies. And medium and small businesses are not often geared to currency juggling. The risk premium on exchange rates and uncertainty over raw material prices have seriously reduced the benefit of the lower pound.

For us the volatility of exchange rates is a matter of great consequence.

Mr A A Thibaudeau,  
Essochem Plc,  
1-19 New Oxford Street,  
London WC1A 1NU

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

## Buccaneering capitalism in a not so free market

From Philip Oppenheim MP

Sir, Samuel Brittan's defence of liberal market capitalism ("Too early for requiem", November 9) was as eloquent as it was effective, but, sadly, implicitly conceded the common fallacy that German and Japanese capitalism is more "planned" than the "buccaneering" Anglo-American variety. I hope that I may be allowed to deploy some simple facts to counter this.

According to OECD figures,

US state funding for non-military R&D runs at about \$20bn a year - a third of all civil

research spending - while the

Japanese government funds

just 2 per cent of its industry's

research. A World Bank survey

of non-tariff barriers showed

that they covered 9 per cent of

all goods in Japan - compared

with 34 per cent in the US -

figures reinforced by David

Henderson of the OECD, who

said that during the 1980s the

US had the worst record for

devising new non-tariff barri-

ers.

Apart from massive subsi-

dies to the coal, steel, car and

aerospace industries since the

second world war, Britain has

imposed import limits on TVs,

machines, tools, VCRs, pottery,

cutterlery, fork-lift trucks, foot-

wear, cars and textiles, many

of which are still in force. Ger-

many and Japan are habitually

exaggerated by politicians and

industrialists for self-serving

reasons. If these policies were

to be economic superpowers,

Philip Oppenheim,

House of Commons,

London SW1A 0AA

impose Multi-Fibre Arrange-

ment textile import quotas on

developing countries.

The US, incidentally, uses

the MFA to restrict clothing

imports from 29 countries -

one of which is Japan.

Sadly, the free-market image

of the US and the rhetoric of

its leaders rarely match the

facts, while the interventionism

and protectionism of Ger-

many and Japan are habitually

exaggerated by politicians and

industrialists for self-serving

reasons. If these policies were

to be economic superpowers,

Philip Oppenheim,

House of Commons,

London SW1A 0AA

## Packaging unites business and environment

From Mr Kit Sadgrove

Sir, It is not true that there is an "irreconcilable difference" between industry and environmentalists over packaging. It is also wrong to say that companies "want to sell more packaging" (Environmental Management survey, November 10).

Packaging is, surprisingly,

an area which unites industry

and environmentalists. Companies want lighter packaging, because it reduces their costs and they are happy to use the recycled materials. Today, even plastic egg box covers are made from old cola bottles.

Companies know that the consumer is suspicious of unnecessary packaging, and this gives them another incentive to avoid waste. Hence,

technology is helping companies to reduce costs and improve the environment. Many problems still exist, but who would have thought that packaging could give business and environmentalists something to agree about?

Kit Sadgrove,  
marketing manager,  
David Bellamy Associates,  
Durham

much impressed by the very

extensive services provided and the support offered to its members by the German regional chambers of commerce, be this through

advise centres for providing

much-needed business support

("One stop advice", November 3).

What the DTI proposal singularly fails to appreciate is that the strength of many of the continental European chambers of commerce comes from the mandatory obligation on almost all local businesses to register or become members.

Having recently returned

from a visit to Germany I was

at the same time impressed by the extensive services provided and the support offered to its members by the German regional chambers of commerce, be this through

advise centres for providing

much-needed business support

("One stop advice", November 3).

In contrast, the usefulness of

the DTI's proposal must be

very doubtful. The UK cham-

bers are already faced with the

problem of non-compulsory

membership, which makes them

vulnerable to pressures from

interest groups, financially

strong members and the

threat of falling membership.

Divergence into numerous

independent groupings outside

the chambers of commerce, and

chamber members representing

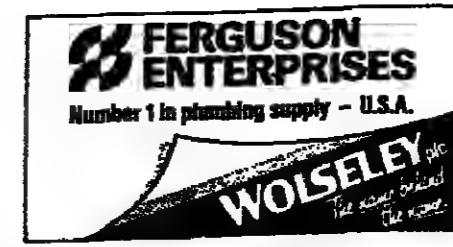
only a small proportion of

all business in a region, can



# FINANCIAL TIMES

Monday November 16 1992



## UK accused of breaking EC broadcast law

By Andrew Hill in Brussels

**T**HE European Commission says Britain is breaking EC law by imposing too many controls on continental European television programmes broadcast into the UK by satellite.

In a letter to the UK government, Mr Martin Bangemann, the internal market commissioner, has given London two months to respond to the charge that Britain's 1990 Broadcasting Act could hinder free circulation of television programmes in the EC.

The letter, sent on November 3, is the first of three stages which could lead to the UK being taken to the European Court of Justice for not applying properly the EC's "television without frontiers" directive. However, Commission officials said Brussels was more likely to take a soft-sof approach to ensure compliance.

Writing on behalf of the Commission, Mr Bangemann also objects to the BBC's April 1991 Licence and Agreement, which he says imposes a discriminatory "national quota" by insisting on "proper proportions of... programmes of British origin and British performance". The EC directive calls for a majority of broadcasting time to be devoted to "European works".

Similar letters have been sent to all 12 EC member states, some of which have not even tried to implement the directive. The Commission has accused France of discriminating against foreign

broadcasters and alleged that it has broken the rules on television advertising.

The directive – a key part of the EC's audiovisual policy – came into force in October 1991 two years after adoption by member states. It sets minimum standards to regulate advertising and protect children from broadcast pornography, violence and racism.

Member states can impose stricter standards on their own broadcasters but cannot hamper cross-border TV services provided by other countries' broadcasters if they meet the minimum EC rules.

The Commission's main objection to the UK's Broadcasting Act is that it is too strict on foreign satellite and cable broadcasters transmitting into the UK, and too relaxed about broadcasts from the UK into other member states.

Brussels believes the act could force foreign satellite and cable broadcasters to get a licence from the Independent Television Commission in the UK, even if they have already been authorised by another member state. To get a licence, broadcasters must meet additional standards. This is an illegal "second control", according to the Commission.

It also says that broadcasters transmitting to member states outside the UK would not have to comply with British law and would escape any EC regulation.

British officials said this weekend that the directive had been properly implemented. The



Martin Bangemann: said Britain's 1990 Broadcasting Act could hinder free circulation of television programmes in the EC

Broadcasting Act specifically exempts satellite services from the more stringent quality requirements applied to domestic franchise-holders. It does, however, impose duties of political

and news impartiality. Critics of the EC measure said at the weekend that the directive had created legal confusion, particularly about the definition of national jurisdiction.

## British political storm grows over arms for Iraq affair

By Alison Smith and Ralph Atkins in London

**S**ENIOR UK government ministers accused the opposition Labour party of "muck-raking" in its attempts to put Mr John Major, the prime minister, in the dock over the sale of defence related material to Iraq, as the political storm about the Matrix Churchill prosecution entered its second week.

Labour warned that pressure on the government would increase rather than diminish. Mr Robin Cook, opposition trade spokesman, said he would produce today further "damning evidence" linking the prime minister with the affair.

In a move that underlines how seriously the government is taking the issue, Mr Major on Saturday issued a vigorous defence of his role in the Matrix Churchill affair, saying that Mr Cook should confine his comments "to fact and not innuendo".

Mr Major said that while he was foreign secretary briefly in 1989 he had not been told of the row between junior ministers

about exports to Iraq, nor had he been briefed to raise the matter with Mr Tariq Aziz, the Iraqi foreign minister, whom he met in September 1989.

Speaking on BBC radio, Mr Tony Newton, the leader of the House of Commons, said there seemed to be a concerted effort by the opposition to tarnish Mr Major, as in the case of the collapse of the Bank of Credit and Commerce International. He noted that Mr Major had been cleared in the UK's official report into the collapse.

Similarly, in a television interview, Mr John MacGregor, the transport secretary, expressed confidence that the government would be vindicated in the independent judicial inquiry announced last Tuesday, and accused the opposition parties of "an attempt to muck-rake in the hope that the initial allegations will stick in the public mind".

While Labour concentrates on Mr Major's role as foreign secretary, some of the most recent revelations highlight the fact that the government was clearing export licences for the last batch of weapons for the arms-for-Iraq debate.

Mr Major said that while he was foreign secretary briefly in 1989 he had not been told of the row between junior ministers

about exports to Iraq, nor had he been briefed to raise the matter with Mr Tariq Aziz, the Iraqi foreign minister, whom he met in September 1989.

Speaking on BBC television's *The Record* programme, he emphasised that a 3 percentage point cut in interest rates and the large devaluation of sterling since Britain left the European

exchange rate mechanism in September amounted to a "very considerable relaxation" of policy that would give a "very important stimulus" to the economy.

The UK base rate is at 7 per cent, and sterling stands at DM2.123 compared to DM2.812 on September 15.

Mr Lamont conceded that unemployment, currently at 2.87m, would continue to rise "for some time", but added that the measures he announced last

week to help specific sectors of the economy would assist the employment situation. He would "neither rule in nor rule out" tax increases in his next Budget in March, and said the high level of government borrowing was a "worrying feature" of the present economic situation.

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The same poll was the second in two days to show support for Mr Major and for the Tories has slumped dramatically.

Mr Lamont is likely to continue in parliament.

By Alison Smith and Peter Norman in London

**M**R JOHN MAJOR, the UK prime minister, will tonight make a direct appeal to British industry and business to seize the opportunities on offer, as the government steps up its efforts to create economic confidence.

In a break with tradition, Mr Major will use his speech at the annual Lord Mayor's banquet in London to focus on the economy rather than foreign affairs. The move is part of a concerted drive by senior ministers to maintain the momentum of plans to pull the economy out of recession, announced in the government's autumn economic statement last Thursday.

Mr Major will tell his audience that following the statement from Mr Norman Lamont, the chancellor of the exchequer, measures are in place to enhance confidence and lead to economic recovery. His message is that all that is needed now is for the private sector to take advantage of the current circumstances and

openings. Mr Lamont yesterday urged business to make the most of the opportunities available, but refused to rule out the prospect of tax increases in his next Budget.

Speaking on BBC television's *The Record* programme, he emphasised that a 3 percentage point cut in interest rates and the large devaluation of sterling since Britain left the European

exchange rate mechanism in September amounted to a "very considerable relaxation" of policy that would give a "very important stimulus" to the economy.

The UK base rate is at 7 per cent, and sterling stands at DM2.123 compared to DM2.812 on September 15.

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FINANCIAL TIMES

# COMPANIES & MARKETS

Monday November 16 1992

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## INSIDE

### Toyota may increase output in Nafta

Toyota is considering increasing production in the North American Free Trade Area, according to Mr Osamu Kimura, president of New United Motor Manufacturing (NUMMI), a joint venture between the Japanese carmaker and General Motors of the US. Page 19

### Carte blanche



Many of the plans offering US progress are just headings on sheets of paper. At a meeting of the MIT World Economy Laboratory last week, three speakers addressed flaws in US education and training. They trotted out the usual gloomy statistics, but were clearly only groping toward solutions. Page 34

### Nearing a deal for ITN

A deal is close on the £20m (\$45.3m) restructuring of Independent Television News, the news organisation owned by the ITV companies. The consortium led by Mr Michael Green's Carlton Communications trying to take over ITN will today put forward an improved package to representatives of ITN shareholders. Page 18

### Bonds rally after election

The long end of the government bond market, which reached bottom in September and October to the prospects of a Democratic presidential victory, rallied strongly last week in spite of Governor Clinton's impending occupancy of the White House. Page 22

### Jitters in gilts market

Last week's Autumn Statement has caused jitters in the gilts market. It seems likely that over the next few years there will be a large rise in government borrowing in an attempt to lift the UK economy out of recession. Page 22

### Big bad bank

Mr Barry Swart, who is overseeing the First National Bank of South Africa's takeover of the UK merchant bank Ambacher, said: "We are being targeted as the big bad guys back home." Page 18

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## GM plans mutual aid scheme with suppliers

By Martin Dickson in New York

GENERAL Motors, the US carmaker undergoing a radical restructuring, is trying to entice some of its parts manufacturers into an unusual form of co-operation, which would involve the suppliers setting up operations inside GM plants and using GM labour.

The scheme, which GM calls "strategic insourcing", would help the company's efforts to slash costs in its loss-making North American operations.

It is being put forward by Mr J. Ignacio Lopez de Arriortua, the Spaniard

who was appointed earlier this year as GM's head of worldwide purchasing. Mr Lopez has stirred up controversy in the US motor industry with his demands that many GM suppliers cut their prices. However, he offers long-term supply contracts to those that meet the quality specifications.

The insourcing scheme covers certain high quality suppliers which GM is prepared to offer additional business. Mr Lopez has proposed that these companies be given factory space free of charge in under-used GM plants, rather than expanding their own facilities.

In return, the supplier would agree to employ GM workers currently in the company's job banks.

The bank, which is part of GM's three-year labour agreement with the United Auto Workers union, guarantees UAW members who are laid off full pay indefinitely.

The workers would remain GM employees but would be paid by the suppliers at the prevailing GM union wage rates - which in general are higher than those of non-unionised supplier companies.

The scheme would not mean a

reprieve for any of the 31 plants GM is planning to shut over the next few years.

GM would benefit by removing workers from the job bank and relieving pressure on a fast-diminishing \$3bn-plus fund which was established in 1989 to pay for the scheme. The fund is meant to run until next autumn, when GM and the UAW will negotiate a new, three-year contract.

The UAW's attitude to insourcing remains unclear, but GM believes it can win the union's support. UAW members are in the jobs bank, who have to turn up

for work even if there is nothing for them to do, might welcome the chance to be more productive.

A GM spokeswoman said Mr Lopez and Mr Stephen Yokich, the chief UAW representative at the company, had discussed "innovative approaches to utilising resources".

One of GM's most important initiatives to reduce its blue-collar labour force is a jobs buy-out, or early retirement programme, which it has been negotiating for weeks with the UAW. However, Mr Yokich said on Friday that a deal had yet to be signed.

Michiyo Nakamoto on the fight for a lucrative share of the video games market

## Global games war rages on the small screen

Mario, the moustachioed plumber of Nintendo video games fame, weaves his way through shooting fireballs to escape the clutches of his formidable opponent, Sonic the Hedgehog. Will the fearless Mario outwit the pursued let loose by Nintendo's main rival Sega? Or will there be a showdown culminating in the destruction of one or the other or both?

The battle between Mario and Sonic is not available on any video game. It is being fought on shop shelves between the two companies which dominate the market - Nintendo, the Goliath of video games, and Sega, its main competitor.

The game war promises to be particularly nasty this Christmas season as Sega, a relative latecomer, blasts ahead in its effort to break Nintendo's dominance over game addicts.

At stake is the \$14bn video games market, one of the few sectors that has seen double-digit growth amid the economic gloom in industrialised countries. Turnover in the UK is expected to

nearly double from \$550m this year to \$1bn in 1993. "For a whole generation of kids video games have superseded pop and rock music as a form of entertainment," says Mr Chris Anderson, managing director of Future Publishing, which publishes specialist magazines on video games.

Already 40 per cent of houses in Japan and 30 per cent in the US have some kind of games console, according to Mr Philip Ley, marketing director of Sega Europa. But Europe has been slower to catch the video games fever. At the beginning of the year France had the highest household penetration in Europe of 12 per cent, says Mr Stuart Disney, editor of Computer Trade Weekly.

However, Nintendo and Sega are planning to take the European market by storm.

For the Christmas selling season both are launching massive advertising campaigns in a no-holds-barred bid to claim what market share they can. In addition to the European Football Champion-

ships on British television, Sega has launched an \$11m campaign coincide with its latest product launch in the US.

Not to be outdone, Nintendo, which has several tie-ups with fast-food and other companies, is spending \$15m in the UK in the last three months of the year.

Market share is crucial in the video games market as an established base of hardware owners drives software sales. And software is where the profits will increasingly come from. Every hardware unit sold generates an average six software sales costing \$50 each.

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Sega trumped Nintendo when it launched the Mega Drive (known as Genesis in the US), its game console which uses 16-bit technology and can therefore play faster games than the previous-generation 8-bit technology.

The Mega Drive brought Sega

neck and neck with Nintendo in the US and Nintendo's worldwide market share has slipped from

more than 80 per cent a few years ago to about 70 per cent today.

But Nintendo is fighting back

### Screen wars



with its own 16-bit Super Nintendo Entertainment System, and is expected to claw back market share from Sega. "The general feeling is that Nintendo will grind [Sega's] share down by Christmas," Mr Disney says.

Europe, where Nintendo has slipped behind Sega, is witnessing one of the fiercest offensives.

Nintendo is catching up with Sega's installed base of 600,000 Mega Drives in the UK, (expected to rise to 965,000 by year-end) with a forecast \$60,000 Super Nintendo sold by Christmas.

Meanwhile, Sega has taken the battle into yet another state-of-the-art technology by announcing it will launch a CD-Rom attachment for the Mega Drive using compact discs to store games.

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## COMPANIES AND FINANCE

## Improved package could seal ITN restructure

By Raymond Snoddy

A DEAL is close on the £30m restructuring of Independent Television News, the news organisation now owned by the ITV companies.

The consortium led by Mr Michael Green's Carlton Communications trying to take over ITN will today put forward an improved package to representatives of ITN shareholders.

Although negotiations are still continuing it is likely that two of the three big companies which will determine the outcome of the deal, Thames Television and Yorkshire Television, will agree to sell their shares. The third, Granada Television, will take a significant stake in the reconstructed company.

The initial proposal put for-

ward last month by Carlton, Central, London Weekend and Reuters offered £1 a share and new funds of up to £30m. ITN has a £5m a year deficit on the lease of its new central London headquarters.

As part of the deal, the four consortium members would get 90 per cent of ITN. Last week's deadline passed without agreement and talks began on a revised proposal.

A number of elements are now under consideration. There will be extra money for those who lost their franchises such as Thames. For continuing ITV companies there will be a larger slice of shares so that Granada and a number of other ITV companies will still have a voice in ITN.

The most important element is ITN's news supply agreement with the TV companies

which is to average £53.3m a year over five years.

Companies such as Yorkshire are only likely to sell if there is a review after two years so they can benefit from any cost savings resulting from the reconstruction.

There will also be debate about how the payments are phased over the five year contract period.

Because ITN's articles of association will have to be changed for the deal, which requires a 75 per cent majority, any two out of the three large companies which are not members of the consortium — Thames, Granada, Yorkshire — can block it. If the new package is endorsed by the ITN board tomorrow it will go to the Independent Television Commission for approval on Thursday.

## GPA asks bankers to waive debt repayments

By Roland Rudd

GPA Group, the aircraft leasing company, has confirmed that it has asked its biggest bankers to waive debt repayments on outstanding loans of between \$800m-\$900m up to September 1996.

The waiver of the debt repayments is part of the rescheduling proposals which will be put to the group's 73 banks at a London meeting on November 25.

GPA has had to increase its bank indebtedness to pay for aircraft it has contracted to buy from manufacturers. The group's indebtedness since March may have increased by \$2bn, giving total borrowings of around \$5bn.

A \$325m facility is due to be repaid in spring 1994. A "balloon payment" of 61 per cent of the \$2.17bn corporate credit facility is due to be repaid in September 1996.

Some 61 per cent of the principal on the \$1.19bn associated companies long-term credit facility falls a year later. A waiver of the covenant clauses would require the agreement of two thirds of the banks.

While GPA may have difficulty in paying back principal on the debt from cash flow it appears able to pay its interest on its debt for the foreseeable future.

The group's banks have already made it clear that the negotiations on waivers of debt repayments are independent on GPA's talks with the aircraft manufacturers.

GPA is pressing the aircraft manufacturers to introduce greater flexibility into their contracts.

The group is committed to spend \$4.7bn by the end of 1993 on the purchase of 146 aircraft. It has paid \$964.1m in pre-delivery payments, with Boeing holding 37 per cent of the payments. Airbus 28 per cent and McDonald Douglas 28 per cent.

Mr Jim King, GPA's vice chairman, said: "We are very encouraged by the positive support from the suppliers and our discussions continue."

## From bad guys to good guys

As South Africa embraces Ansbacher, Roland Rudd reports

**M**R BARRY Swart, managing director of First National Bank of South Africa said: "We are being targeted as the big bad guys back home".

Mr Swart, who is in London to oversee the group's takeover of the UK merchant bank Ansbacher, is frequently asked by people back home why he bought a UK bank when there are not enough branches in the South African townships.

The brutal answer, replies Mr Swart, is that without a London base, he would not have been able to service his domestic multi-national clients, such as the Anglo-American Corporation, which are expanding overseas.

Ever since 1986, when its British parent Barclays divested itself from South Africa, Mr Swart has wanted to open a UK branch.

He explained that since South Africa was having problems making its debt repayments the Bank of England refused to let First National open a branch in the UK.

Then last year the Bank of England informed Mr Swart that there would be no objection if First National formed a UK subsidiary. Unlike a branch a subsidiary has its own resources and capital which to

a large extent would be ring-fenced from the parent.

With the light from the Bank of England, First National immediately started to look at potential UK acquisitions.

Ansbacher became an obvious choice because its biggest shareholder Pargesa Holdings, the Swiss investment group, was keen to sell its 62 per cent shareholding.

The South Africans also noticed that Ansbacher's management did not want to sell out to their rival, Singer & Friedlander, whom they suspected wanted to buy Ansbacher in order to get their hands on the bank's strong balance sheet.

Last week First National's offer, which valued Ansbacher at £57.8m, was declared unconditional with 82.3 per cent of shareholders' acceptances.

Mr Swart, who has replaced Mr Richard Fenhalls as Ansbacher's chairman, is adamant that he does not want to turn the UK merchant bank into a South African satellite. "We are not trying to put a Johannesburg bank in London" he says.

Although the non-executive directors appointed to Ansbacher's board by the majority shareholders have all resigned,

recently earned record levels of fee income, and foreign exchange dealing, will be expanded to service First National's South African clients.

"We expect Ansbacher to generate much more business from South Africa" said Mr Swart. Second, there will be far less lending to small businesses. Mr Swart said: "There are few advantages in competing with the big UK high street banks to lend money".

Ansbacher incurred a pre-tax loss of £2.3m in the year to December 31 1991, after making heavy provisions to offset losses on loans to small businesses.

Those loans have already been reduced. The net loan book was £20.8m at the end of September compared with £29.1m at the end of June.

Strong performances from offshore operations and asset trading resulted in a pre-tax profit of £3.15m for the nine months to the end of September. The group's capital resources were £28.5m.

Mr Swart says his immediate ambition is limited to expanding and in increasing Ansbacher's profitability and thereby becoming known as the good guys in the UK.

## Broker in mass recruitment

By Norma Cohen,  
Investment Correspondent

LAWRENCE KEEN, the private client stockbroker, has recruited 11 new staff members — including three who will become directors — from rival Granville Davies.

The move is one of the most significant mass recruitments in recent years in the private client stockbroking business which has been shedding jobs rather than gaining them.

Lawrence Keen was created via a management buy-out from its parent, Lawrence Prust, in 1986 following the spin-off of its former unit division, Framlington.

Mr Mark Powell, chief executive of Lawrence Keen, said the 11 include seven fund managers and four support staff who between them had managed roughly £200m for their former

employer. The move could increase Lawrence Keen's client base by as much as 15 per cent. She broker has roughly £1.25bn under management for 8,000 clients, mostly individuals, small pension funds and charities.

While there is no guarantee that the recruitment will result in a shift of clients, Mr Powell noted that key personnel in such moves have traditionally brought their customers with them.

"This is a very personal business and continuity of care is a very important part of the business".

Mr Powell said he does not expect there to be any legal obstacles to such a mass recruitment. The matter has already been discussed with executives of Granville Davies, a firm formed following a management buy-out by staff from Vickers da Costa.

## A big boost for UK cable television

By Raymond Snoddy

THE UK cable television industry has received a significant financial boost — the first substantial injection of equity from US financial institutions.

EM Warburg Pincus and Bankers Trust are investing up to £70m in the UK cable and telephone operations of the Comcast Corporation, which has around 2.8m cable television

subscribers in the US.

The new investors will take a controlling stake in Comcast UK, although they will not become involved managerially.

Cable television has developed slowly in the UK, mainly

because of the difficulty of raising the appropriate long-term finance.

Comcast is one of the UK's largest cable operators, with franchises covering more than

1.5 million homes, mainly in London and Birmingham.

The new finance will be used to help complete networks designed to offer television and telephone services and possible acquisitions.

By July the number of homes subscribing to modern cable networks had risen to more than 380,000 — an increase of 13.4 per cent over the previous three months.



Alcatel Alsthom, the Paris based communications, power and transportation systems group reported consolidated net sales for the first nine months of 1992 of FF 117.5 billion, up 6% from the same period in 1991. This increase takes into account the Group's evolution since the beginning of 1991, in particular the acquisitions of Rockwell's Transmission Division, Canada Wire, and AEG Kabel, as well as the disposal of the mailroom activities.

### 6 % rise in nine months sales

At a comparable structure, and on a constant exchange rate basis, sales reflect an increase of approximately 3%.

By sector, 1992 and 1991 sales in the first nine months broke down as follows:

(in millions of French Francs)	1992	1991
Communications systems	79,044 (1)	75,645
Energy and transportation (2)	18,722	16,922
Batteries	11,767	10,922
Services	2,421	2,463
Inter-group sales	4,592	4,923
<b>TOTAL</b>	<b>117,468</b>	<b>110,765</b>

(1) Of which Network systems: 39%; Cables: 32%; Radiocommunications, space and defense: 10%; Business systems: 10%; Others: 10%.

(2) Sales of GEC Alsthom taken at 50%.

Orders for the first nine months 1992 amounted to FF 123.6 billion compared to FF 119.4 billion for the same period in 1991. Orders represented 105% of sales, compared to 102% for the first half 1992, and brought the order backlog up to FF 143.9 billion as of September 30, 1992, compared to FF 140.7 billion at June 30, 1992.

Alcatel Alsthom is one of the world's largest suppliers of equipment and systems for the communications, power and transportation sectors. Alcatel Alsthom shares trade on major European Stock Exchanges, as well as in ADR form on the New York Stock Exchange, where prices may be accessed on Reuters Equity 2000 service under the symbol ALA.

This announcement appears as a matter of record only

## GPG plc

### Lifting of suspension

Deals on the London Stock Exchange in the ordinary shares of 5 pence each of GPG plc are expected to resume today.

Under Sir Ron Brierley and the new management GPG has been restructured substantially. GPG is now an investment holding company with a diversified range of strategic interests in a number of businesses.

A circular containing details on GPG including the audited interim results for the nine months ended 30 June 1992 was posted to shareholders on 13 November 1992.

BARCLAYS de ZOETE WEDD  
RESUMPTION OF DEALINGS ON THE LONDON STOCK EXCHANGE

16 November 1992

### CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Investor Group (US)	Units of MCC (UK)	Publishing	£786m	Administrators resist bid
Credit Lyonnais (France)	Big Bank (Germany)	Banking	£570m	Completes five year quest
ECE (Canada)	Mercury Communications (UK)	Telecoms	£480m	20% stake
United Biscuits (UK)	Unit of Coca-Cola Amatil (Australia)	Snacks	£196m	Coca Cola non-core sale
Altis Finance (France)	Australian unit of Costain (UK)	Coal mining & property	£160m	Hanson acquisition
Marsh McLennan (US)	Frizzell Group	Insurance	£107m	Affinity-driven deal
TAN (UK)	Gesiza (Germany)	Motor components	£101m	First big German buy
Helseid Nycoset (Norway)	Christiaens International (Holland)	Pharmaceuticals	£81m	Strengthening European network
Renault (UK)	Creative Planting (US)	Plants services	£15.7m	Maximum price payable
Air Canada (Canada)	Continental Airlines (US)	Airlines	£290m	Proposal now accepted

### Prices for quarterly determined for the purpose of record only and subsequent arrangements

In English Pounds Sterling. Last Price to Trading on 15.11.92

Price to Trading on 16.11.92

Price to Trading on 17.11.92

Price to Trading on 18.11.92

Price to Trading on 19.11.92

Price to Trading on 20.11.92

Price to Trading on 21.11.92

Price to Trading on 22.11.92

Price to Trading on 23.11.92

Price to Trading on 24.11.92

Price to Trading on 25.11.92

Price to Trading on 26.11.92

Price to Trading on 27.11.92

Price to Trading on 28.11.92

Price to Trading on 29.11.92

Price to Trading on 30.11.92

Price to Trading on 31.11

*[Redacted]*

## INTERNATIONAL COMPANIES AND CAPITAL MARKETS

**Toyota considers output increase**

By Chris Barrie

**TOYOTA** is considering increasing production in the North American Free Trade Area, according to Mr Osamu Kimura, president of New United Motor Manufacturing (Nummi), a 50-50 California joint venture between the Japanese vehicle maker and General Motors of the US.

Mr Kimura said the plans, being drawn up by Toyota's US projects division in Tokyo, could entail investment to increase capacity by 100,000 vehicles to 200,000 a year in three to five years.

Under consideration is investment in a new plant in

Mexico, in Toyota Motor Manufacturing Canada and in Toyota's car plant in Georgetown, Kentucky, which is doubling capacity to 400,000 vehicles a year.

Mr Kimura stressed the plants were at an early stage and no decision had been taken. He suggested investment in a facility would cost at least \$50m.

The company was attracted by the low wage costs of Mexico, but the lack of a sophisticated supply infrastructure would mean importing parts from the US mid-west, thereby increasing transport costs.

Nummi's California plant

was also a candidate for expansion, he said. "There are many proposals from almost every state in the US. They are asking Toyota to come to their state, to build a plant."

He said Toyota "has some hesitancy" because of concern over the state of the US market and the political danger of increasing capacity when Ford, GM and Chrysler were under pressure.

The company was watching carefully for President-elect Bill Clinton's policy on Japanese transplants.

Mr Kimura was in Scotland to address industrialists at a Strathclyde Institute conference on manufacturing. "The recession is continuing in

Japan, America and Europe at the same time. Toyota's stance is very conservative, to save money," he said.

The company's resources were already committed to expansion at the Kentucky factory, in the UK, in Turkey and China, and in a joint venture with GM in Australia.

The agreement with GM that established Nummi expires in four years due to limits placed by the Federal Trade Commission (FTC). Mr Kimura expects talks to begin with the FTC and GM over Nummi's future early next year.

Both Toyota and GM have said they would like the present joint venture to continue.

**Asda lifts three-year facility to £300m**

By Brian Bollen

**ASDA**, the UK supermarket group, has arranged a £300m (£453m) three-year facility to replace a higher-priced multi-option facility first arranged in 1988, as part of an effort to improve its financial position.

Following its acquisition of 50 supermarket superstores for £70m in 1989, the company has been struggling under a mountain of debt.

The latest refinancing represents an important stage in Asda's efforts to bring its finances under control. The size of the facility has been increased by £50m from £250m, and the maturity is being extended by a year. In addition, the margin over the London interbank offered rate has been cut from around 100 basis points to 85 basis points, reflecting the company's improving financial position.

National Westminster Bank and Swiss Bank Corp are the arrangers.

The facility was last amended in October 1991 at the time of Asda's rights issue, which has been seen as a turning point in the company's recovery after it had lost its way in the mid-1980s.

Asda is also asking the banks to loosen some restrictive covenants.

Last month, Asda sold two development sites and one store for £57m as part of an effort to reduce its large debt mountain totalling more than £500m.

**Humana stops paying dividends**By Martin Dickson  
in New York

**HUMANA**, one of the largest hospital and healthcare companies in the US, is to stop paying dividends next year. The news sent its shares sliding by almost 17 per cent on Friday.

Humana linked the pay-out to its plans to split the business into two separate companies. Its healthcare management business is being spun off from its chain of 78 hospitals in the US and Europe.

The company gave few clues as to why the dividend was being suspended after the pay-

ment due on February 1, merely saying that it would "provide the resources for taking advantage of opportunities post spin-off, whatever they may be".

Many institutional investors, which had held Humana stock partly for its dividend, rushed to sell after the announcement. The shares were the most actively traded on the New York Stock Exchange on Friday and closed down \$4 at \$19.5%.

Humana has disappointed Wall Street over the past year with lower earnings and reported a \$166m loss for the quarter ended on August 31 after hefty one-time charges related to the spin-off.

The physicians have been sending lucrative patients to rival hospitals. The spin-off is intended to reduce this friction between the two sides of the business.

However, analysts are at a loss to explain the reasons for the dividend elimination, pointing out that the company enjoys strong cash flow from its hospitals.

**Indonesian private bank suspended**

By William Keeling in Jakarta

**BANK Summa**, one of Indonesia's 10 largest private banks, which is privately-owned by the Soeryadaya family, was suspended by the country's central bank from clearing operations on Friday.

Meanwhile two tranches of shares in Astra International, the Indonesian automotive group which dominates the country's stock exchange and is majority owned by the Soeryadaya family, were sold on Friday for \$187m.

Bankers said the disposals were precipitated by Bank Summa's problems and appear to indicate that the Soeryadaya family were reducing their holding in Astra. The buyers of the shares are not known.

Following the suspension, Dr Adrianus Mooy, governor of the central bank, met with President Suharto on Saturday to discuss bankers' beliefs on the possible ramifications of Bank Summa's financial problems for the banking sector.

Bank Summa has been hit by a fall in the value of its property portfolio and bankers say it needs a cash-injection of up to \$600m.

Bank Summa officials said on Friday they hoped to resume clearing operations today.

Astra has stressed that its finance and those of Bank Summa are separate. In September, Mr William Soeryadaya, the founder-chairman of Astra stepped down and was replaced by Mr Sumitro Djohadijusumo, a former economics minister and an associate of President Suharto.

Astra is Indonesia's second largest company with a market capitalisation of \$1.3bn.

It has suffered this year from a sharp decline in car sales and brokers estimate 1992 net profits at about Rp4.4bn (\$35.7m), as against Rp21.6bn last year.

Brokers say that 20m shares went to a foreign buyer and a similar number to a domestic purchaser on Friday.

Astra announced two months ago that Toyota of Japan would take a stake, but Toyota yesterday denied that it had purchased any Astra shares.

**NZ forestry group rises 12.4%**

By Terry Hall in Wellington

**CARTER Holt Harvey (CHH)**, New Zealand's biggest forestry group, has reported a 12.4 per cent rise in net profits to NZ\$112.4m (US\$61m) for the first half to September 30, up from NZ\$84.9m a year earlier, in spite of bitter and prolonged strikes at four of its forest products plants.

Mr David Oskin - who manages CHH for International Paper, the leading US paper manufacturer, and Brierley Investments, the New Zealand holding company, which jointly own 33 per cent of the company - said the result was also achieved in spite of increasing competitive markets.

He said that all CHH's main

operating sectors traded at or above expectations and all costs relating to the strikes had been included in the figures. He did not give a profit forecast for the year, saying this depended on international commodity prices. There were some good signs, but pulp and paper prices remained a concern.

Mr Oskin said that during the past six months a new management team at CHH had continued to reorientate the company into a focused and strongly positioned forestry group. This work was near completion and beginning to reflect in earnings.

Pre-tax profits rose 68 per cent to NZ\$79.4m from NZ\$48.8m. Copepe, the group's Chilean offshoot, contributed

**Kvaerner takes over shipyard**

By Karen Fossel in Oslo

**KVAERNER**, the Norwegian engineering, shipping and shipbuilding group, has acquired the 60 per cent it did not own in Kimek, a shipyard in Kirkenes on the border between Norway and Russia, from Syd Varanger, a partially state-owned company.

As consideration for the deal, Kvaerner will provide the yard - to be called Kvaerner Kimek - with NKR36m (US\$7.2m) in fresh capital and NKR70m ("in kind") including technological assistance. It will implement a NKR230m expansion and modernisation programme to be completed in 1994.

The industry ministry will contribute NKR16.5m to the

modernisation programme, to allow the yard's workforce to expand by 100 to 250 employees by 1996, and provide an additional 180 jobs as local spin-offs from the yard's remotely-sited operations. Syd Varanger had planned to close the yard.

Kvaerner Kimek will derive an estimated 80 per cent of this year's NKR150m budgeted turnover from Russia, where it has a well-established market concentrating primarily on modernisation and maintenance of the Russian fishing fleet.

Since 1988, when Kvaerner acquired the Govan yard in Scotland from British Shipbuilders, it has had an almost insatiable appetite for shipyard acquisitions.

Its investment in shipbuild-

ing expansion in the last four years has reached an estimated NKR1.3bn.

In 1990 it acquired Massyards in Finland. Earlier this year it bought a ship-repair yard in Gibraltar and a group of Norwegian yards. Last month the group took control of the Warnow shipyard in eastern Germany for NKR1m in a deal which propelled it to the position as Europe's biggest shipbuilder.

In 1991 shipbuilding accounted for one-third of the group's total NKR18.65m revenue. In the first nine months of this year the shipbuilding division posted operating revenue to NKR1.4bn from NKR3.5bn last year as profits rose to NKR6.5m from NKR3.5m.

**Japanese developers hit by property slump**

By Emiko Terazawa in Tokyo

**INTERIM** profits of Mizuho Mitsubishi, Japan's largest property developer, have been hit by the country's property price slump and land holding taxes.

The company posted a 38.2 per cent fall in non-consolidated taxable profits for the first six months to September, to Y17.4bn (US\$145m). Interim sales edged ahead by 0.1 per cent to Y396.4bn, while net profits fell 39.5 per cent to

Y8.1bn. Mizuho blamed the stagnation of Japan's property market. Sales of the company's housing division fell 8.4 per cent to Y205.8bn. Newly introduced landholding taxes worth Y1.4bn also eroded profits.

The company said capital spending for the current year would be slashed by about Y100bn from the previous year to Y70bn.

• Daikyo, the leading Japanese condominium developer, saw a sharp fall in first-half

profits due both to the slump in the Japanese property market and an appraisal loss on securities holdings.

Pre-tax profits for the first half to September fell 36.5 per cent to Y4.7bn, on a 24.3 per cent fall in sales to Y361.7bn.

Net profits fell 14.7 per cent to Y2.8bn. Daikyo blamed the poor performance on a 30 per cent fall in condominium sales to 4,907 units and losses on its securities portfolio appraised at Y2.9bn.

However, Daikyo's sale of office buildings worth Y40bn to affiliates and other business partners, as a part of its restructuring scheme, propped up its sales figure.

The company's cash on hand and deposits fell 64.2 per cent to Y30.9bn, while short-term borrowings rose 46 per cent to Y65.3bn.

Daikyo expects to slash profit margins in the second half to sell 6,000 condominiums to reduce inventories.

**Digital Microwave System Russian Federation****Prequalification Notice**

Overall system specifications and requirements are as follows:

1. - Microwave link length approx. 7500 km in total. 8 traffic RF channels; capacity each: up to 155 Mbps.

RF bands (channel arrangements) to be made available:

4.7 GHz (CCIR Rec. 287-4, 1986)

4 GHz (OIRT-2, 3.40 - 3.90 GHz) for main link

6 GHz (OIRT-2, 5.57 - 6.17 GHz)

8 GHz (OIRT-2, 7.90 - 8.40 GHz)

11 GHz (CCIR Rec. 387-5; Rec. 388-2 1990)

for spur links

2. - Optical fibre cable length approx. 100 km each (2 links). Dispersion shifted and non-dispersion shifted fibres, attenuation less than 0.24 dB/km; 4.8-12 fibres cable laying in ducts and ploughing.

Transmission equipment: 140/155 Mbps line equipment to be terminated at 2 Mbps or

140/155 Mbps level.

The contracts are expected to be financed in part by the European Bank for Reconstruction and Development. The award of contracts is expected in the second quarter of 1993 following competitive

tendering open to prequalified companies and consortia. Civil works are to be subcontracted to the construction department/subsidiary of A/O Intertelecom. The ability to implement the contracts within the above time frame will be an important tender evaluation criteria.

Individual companies and consortia who have the capability to complete these major contracts and who wish to be considered for prequalification are invited to submit a capability statement containing:

I. company profile including type and size of the company, and financial statements for the last 2 (two) years;

II. details of similar projects completed in the last 5 years;

III. current contracts being executed and future commitments, by value and completion date;

IV. ability to perform the work as described above; and

V. experience in Russia, CIS-countries or other countries in Eastern Europe.

Companies and consortia may apply for prequalification for one or more contracts. The Microwave Link may be separated into two contracts. Preference shall be given to a combined offer. Prequalification submissions should be submitted separately for each contract.

Six (6) copies of capability statements should be forwarded to the following address:

INTERTELECOM

Delegatskoy st. 5, Moscow

103091, Russia

Tel.: (+7 095) 292 7127, Fax: (+7 095) 924 7062, Telex: 41 24 25 INTEC SU

The deadline for submission of capability statements is December 15, 1992, 15.00 hrs GMT.

Companies and consortia seeking further information should contact Mr. V. Kiselevko, Vice President, Intertelecom, at the above address. Prequalified bidders will be invited to prepare their bids in accordance with tender documents to be issued in the second part of February 1993.

**Principal Paying Agent**

Kredietbank S.A. Luxembourgeoise

43 boulevard Royal

L-2955 Luxembourg

Paying Agents

Kredietbank N.V.

Arenbergstraat 7

B-1000 Brussels

Swiss Bank Corporation

Aachenmarkt 1

CH-4002 Basel

Kredietbank N.V.

7th Floor, Exchange House

Primrose Street

London EC2A 2HO

Kredietbank N.V.

New York Branch

## INTERNATIONAL CAPITAL MARKETS

## INTERNATIONAL BONDS

## A cold shoulder for Latin American borrowers

THE WARM reception which once awaited any Latin American equity or bond issuer is cooling.

With a large queue of Latin American names waiting to tap the international bond markets over the next few months, foreign investors have turned cold at the prospect of oversupply.

As a result, several Latin American borrowers have had to offer more attractive terms on their bond issues in order to raise the necessary funds, while yield spreads on existing issues have widened by as much as 10 basis points.

The pressure in the Eurobond market is prompting borrowers to consider other means of raising finance.

For example, Compania de Telefonos de Chile, the Chilean telecommunications company, is preparing to launch a convertible bond issue, and other borrowers may consider subordinated debt issues with convertibility rights, investment bankers have said.

The cold-shouldering of Latin American bond issues follows an equally frosty response to international equity offerings from that part of the globe.

International equity offerings from companies such as Banacci, the Mexican holding company

which owns the country's biggest bank, and Grupo Syntex, the Mexican consumer goods company, were postponed earlier this year due to unfavourable stock market conditions.

On the recent increase in bond yield spreads, Mr Paul Luke, an analyst at Morgan Grenfell, says: "The Eurobond market has caught up with what happened in domestic equities markets."

The trigger for the bond market has been concern about oversupply.

Mr Stephen Dizard, head of emerging markets department in New York, shocked investors and bond market participants at a conference in early October with his estimate that a total of \$20bn of Latin American bond issues was expected within the next 12 months, of which \$4bn was due by the end of 1992.

Mr Richard Watkins, chief executive of the Lazard Frères Group, an investment banking group, says: "The implication was that the figures were so large, borrowers would have to pay a higher price in order to complete them."

And one bond dealer adds: "It has come as a shock to the market that there was such a backlog of deals."

Yield spreads on Latin American bonds - particularly those from

Mexican and Argentine borrowers - have shown a marked narrowing earlier in the year and some bond market participants claim that by the summer of 1992, deals from these countries were being launched at very aggressive prices. However, recent worry about oversupply has caused a reversal of this trend, and the yield spread over US Treasuries has widened again.

To take an example, Nafinsa, the Mexican state development bank, has a bond maturing in 2001 which traded at a yield spread over US Treasuries of 360 basis points at the start of the year.

The spread narrowed to 200 basis points by the summer, but it now lies at around 310 basis points.

Latin American borrowers have had to adjust the yield spreads on new issues accordingly. Dealers point out that oversupply concerns have added about 10 basis points to the yield spreads as a rough rule of thumb.

One syndicate manager says: "A few weeks ago we were talking with borrowers about yield spreads of 325 to 350 basis points over five-year Treasuries. In the pre-marketing discussions we then had to move towards 375 to 400 basis points, and eventually launched at 400 to 450 basis points."

Investment bankers cite a host of additional reasons why investors are rather less enthusiastic about

The Republic of Argentina's \$250m five-year issue, which was launched at the end of September at a yield spread of 300 basis points over Treasuries, is now at a bid-offer spread of 325 to 360 basis points, according to CSFB, the lead manager.

Yield spreads on Argentine bonds widened further last week as Argentina's financial markets were troubled by rumours that Mr Domingo Cavallo, the economy minister, might resign, coupled with concern about the government's commitment to economic reform.

Salomon Brothers' recent \$150m five-year deal for Grupo Dina, Mexico's largest truck manufacturer, was originally supposed to be launched at a yield spread of 350 basis points. Eventually it was launched with a yield spread of 475 basis points, and the deal is now trading at 500 basis points over the Treasury.

Goldman Sachs' recent \$100m five-year issue for Gemex was launched at a yield spread of 475 basis points, whereas in the early discussions with the borrower, the lead manager had suggested a spread of 350 basis points.

Investment bankers cite a host of additional reasons why investors are rather less enthusiastic about

Latin American issues today. These range from the scandal surrounding President Collor in Brazil, to political concerns in Venezuela, and worries about the size of the Mexican current account deficit.

Furthermore, non-US investors have tended to focus more on the European bond markets, seeking safety in the D-Mark bloc, and showing less interest in the US dollar markets because of the lower interest rates.

Dealers believe that some Latin American borrowers will simply postpone their bond issues in the hope that yield spreads will narrow again.

However, others may have to accept the new pricing levels.

One syndicate manager says: "Some deals simply have to be done because the companies need the funding at any price in order to pay off bridging loans and other commitments."

Mr Paul Luke believes it is unlikely that the market will see any narrowing of spreads given the impending supply.

Lead managers admit that they are having problems promoting the issues. "We are having to work hard to sell the credits," says one manager.

Sara Webb

## RISK AND REWARD

## Traders in volatility relish the profits on recent uncertainties

THE events of the past two months could have been stage-managed for anyone who trades on uncertainty.

The French vote on Maastricht, the US election, the Canadian referendum - each had the power to turn the tide in financial markets, and each seemed too close to call in advance.

For the growing band of volatility-traders - the people who do not mind what happens to prices, as long as uncertainty about them rises - it was a godsend.

Optical pricing is a complex business. But it is intuitively not difficult to grasp why volatility itself has a price. Uncertainty, for example, about the outcome of an election, may have no effect on the level of interest rates or equity and currency prices. But it will make it more expensive to hedge a particular market exposure.

More people will want to buy protection, pushing up the cost. This extra cost - the price of greater perceived risk in a market - reflects a change in what options traders call implied volatility.

Trading on that volatility, rather than any actual movement in market prices, has become a popular pastime among banks active in the derivative markets, and even some fund managers.

To do it, traders buy two matching options, a call and a put, which exactly cancel each other out. One may give the right to buy sterling at £1.50 to the dollar in three months' time, the other the right to sell at the same rate. Underlying market risk - known as delta risk - is neutralised.

What remains is a play on volatility - or gamma risk, in the jargon of the options market. The volatility of the Italian bond futures market is around 8 per cent at the moment; prices have settled into a relatively narrow range after the gyrations of September. If that volatility rate leapt back to the 25 per cent peak of September, then anyone holding matching put and call options could sell both of them on at a profit.

Even if you're wrong about volatility rising, you can still make money this way. If prices in the market move far enough, no matter in which direction, you could exercise one option at a profit and let the other expire worthless.

One risk is that volatility will not rise but fall, against a background of stable market prices. That is

roughly what has happened in recent weeks across a range of markets. The volatility of German government bond futures has fallen from 5 per cent a month ago to under 3 per cent.

This decline may be bad for anyone betting on volatility, but it has made it cheaper for investors or companies to hedge their financial exposures. It is better to buy an option when volatility is low. In extreme circumstances, such as mid-September in Europe, it can be not only prohibitively expensive but actually impossible to hedge.

Falling volatility is not the only way to lose money - as the events of recent weeks have taught less-experienced options traders. Rising uncertainty punishes traders who have sold, rather than bought, volatility. Also, interest rates can jump through the roof, sending the carrying costs of an option position soaring - in Sweden, the overnight rate leapt to 500 per cent at one point.

And it takes a real market shake-out to reveal the flaws in new-fangled financial instruments. One such is the "stop-out", or "one-touch" option. This was designed to reduce the cost of hedging: the option is exercisable if the price moves to a certain level, but if it moves far enough in the opposite direction, the contract instantly expires. Recent oscillations in some ERM currencies proved too much for these instruments, as prices bounced up and down, killing off the options before they could be exercised.

Trading in volatility could itself have profound effects on underlying markets - a consideration which has not been lost on regulators. Some options strategies are actually designed to increase volatility.

Where will the volatility traders look next for a profit? Most still think Europe offers the best opportunities. The French elections, the next event stage-managed for the options market, are still some way off. But in the meantime there is always the chance of some excitement at or beyond the fringes of the ERM. Italy and Sweden, the most volatile markets in September, remain the favourites. European central bankers should tighten their safety belts: it could be a bumpy ride ahead.

Richard Waters

NEW INTERNATIONAL BOND ISSUES															
Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %	Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
<b>US DOLLARS</b>															
Tsurumi Manufacturing(s)	50	1998	4	1.025	100	Daiwa Europe	-	Yamachi Int.(Europe)	-	1995	3	8.25	100.005	CNCA	7.903
Dowa Mining Co.(s)	70	1998	4	1.025	100	Nikko Merch.Bdg(Sing.)	-	Anro	58	1998	9	8.5	101.25	Credit Lyonnais	8.420
Banco Real(b)	50	1995	2.5	10	98	Merrill Lynch Int.	9.400	CSFB	-	1995	7	8.5	101.25	CCF	8.420
Banca Credic(b)	80	1996	3.05	9	98.95	Chicorp Inv.Bank	10.770	Soc.Nat.Ell Aquilaine	100	2002	10	8.5	99.95	Paribas Cap.Mids.	8.800
Gyojin(b)	50	1995	3	9	100	Merrill Lynch Int.	9.300	Goldman Sachs	100	1997	5	8	100.575	Wood Gundy Inc.	7.857
Yokohama Rubber Co.(h)s	180	1996	4	2	100	Merrill Lynch Int.	9.575	Bank U.S.B. de Montreal	100	2002	10	9	100.825	Wood Gundy Inc.	8.872
Cepme(f)	80	(0)	(0)	(0)	100	Merrill Lynch Int.	9.500	Abdi National First Capital	200	2002	10	8	101.25	SSC Nederland	7.815
European Inv.Bank	120	1998	4	5.75	98.91	Citcorp Inv.Bank	8.250	ABN Amro	500	2002	10	7.25	100.45	ABN Amro	7.559
Citi Investments(b)	60	1998	1	101.17	100	Merrill Lynch Int.	9.500	Province of Quebec	350	2002	10	7.75	100.3	ABN Amro	7.708
Peoples Cntr.Bk of China(s)	100	1997	5	(0)	100	DKB(Denmark)	8.807	Swiss Francs	600	1998	5.03	8.25	102.25	BNP Cap.Mids.	7.892
BNP(c)	100	1997	4.81	6	100.785	Sakura Bank(Denmark)	-	First Iberian	40	1997	5	(d)	101.05	DKB(Switzerland)	-
<b>D-MARKS</b>															
Inter-American Dev.Bank	500	2002	10	7.5	102	Deutsche Bank	7.212	Omo Sodico Co.(g)k*	50	1996	4	8.5	101.05	Paribas Bank(Switzerland)	-
National Bank of Hungary	600	2000	7	10	102	Bayerische LBK	9.505	Yamada Corp.	11	1997	5	8.25	101.25	Paribas Bank(Switzerland)	-
Eurofim(e)	380	2002	10	8	102.3	J.P. Morgan	-	European Inv.Bank	200	1998	5	8	101.25	Paribas Bank(Switzerland)	-
Dresdner Finances(j)*	780	1997	5	7.5	102.5	Dresdner Bank	-	Portuguese Inv.Bank	100	2002	10	8.25	101.75	Swiss Volksbank	5.551
KTB Int'l Finance Inc.	1,600	1997	5	7.25	101.51	Deutsche Bank	-	Portuguese Inv.Bank	100	2002	10	8.25	101.75	Swiss Volksbank	5.300
Kokusai Cir & Chmn.(j)*	25	1997	5	7.5	101.51	DKB(Germany)	-	Portuguese Inv.Bank	100	2002	10	8.25	101.75	Swiss Volksbank	5.300
Sasaki Electric Corp.(j)*	20	1997	5	(0)	100	Sakura Bank(Germany)	-	Crédito Romângolo(r)*	600	1998	5.03	8.25	102.25	BOECE	7.892
<b>STERLING</b>															
Leeds Permanent Bldg.Soc.	100	1997	5	7.5	100.74	SG Warburg Secs.	7.316	First Iberian	40	1997	5	(d)	101.05	Paribas Bank(Switzerland)	-
Guinness	150	1997	5	7.375	100	J.P. Morgan Secs.	7.100	Paribas Bank	50	1996					

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## £14m orders awarded to Lelliott

Two of London's most prestigious fitting out contracts, at 25 Berkeley Square and Carmelite, Victoria Embankment, have been won by JOHN LELLIOTT CONSTRUCTION GROUP as part of a total number of jobs worth £14m.

The £3.3m project at Carmelite, London EC4, concerns the fitting out of 68,500 sq ft of offices including conference and dining rooms, computer suite, library, cafe and full support facilities on five floors for city solicitors, Taylor Joynson Garrett.

Work involves partitioning, glazed screens, suspended ceilings and M & E installations including air conditioning. The project has commenced and is due for completion in February 1993.

This prime site overlooking the Thames on 18 Victoria Embankment, was previously occupied by Associated Newspapers.

The Berkeley Square project involves the fitting out of 62,000 sq ft of office accommodation comprising lower ground and nine upper floors to provide corporate headquarters for Cadbury Schweppes.

John Lelliott has also been awarded the £1.7m refurbishment of Cannons leisure centre in Cousin Lane, London EC4, including yoga and aerobics studios, gymnasium, squash courts, swimming pools, relaxation area and offices.

Other contracts include an £800,000 extension to Robin Brook medical college, St Bartholomew's hospital, West Smithfield, London EC1; £460,000 external refurbishment at Chatwell House, Victoria Circus shopping centre, Southend; £400,000 construction of Index shop for Littlewoods at St Nicholas shopping mall, Sutton and a £30,000 refurbishment in Holborn.

## CIVIL ENGINEERING

### £65m North Sea oil project

AMEC has recently won £190m of new orders across three key areas of business: oil and gas, process and fine chemicals and construction.

Heading the list is a £65m award for the fabrication of a 9,000 tonne utilities module for Conoco Norway's Heidrun field development. The contract will be built at AMEC Offshore's Tyneside fabrication yard and is scheduled for delivery in July 1994.

Also signed is a major EPIC contract to undertake the engineering, procurement, fabrication, installation and offshore hook-up of the Excalibur, unmanned gas platform, for Mobil North Sea. Scheduled for completion in September 1994, the work will be undertaken

jointly by AMEC Engineering, AMEC Offshore and AMEC Offshore Developments.

Also on the oil and gas side, AMEC Engineering, together with sister companies, Press Construction and James Scott, has been awarded a £5.5m management and construction contract to undertake shutdown work on BP's Grangemouth catalytic reformer plant in Scotland.

At Canterbury, AMEC Building has been awarded an £8.5m contract to build crown and county courts for the Lord Chancellor's Department. With a contract duration of 88 weeks, the courthouse will contain seven courtrooms. In joint venture with BICC Group company Haden Young, the com-

pany has secured a £5.6m contract to build a pathology laboratory and mortuary at Manchester Royal Infirmary.

In Scotland, AMEC Construction, Scotland, has been awarded a contract, worth £5.5m, for Guineas Properties, to build the Callendar Square shopping centre in Falkirk.

AMEC Design and Management has won a contract from Rechem International which is undertaking a £20m programme to install a rotary kiln at the company's high temperature incineration plant at Pontypridd.

In the USA, AMEC's joint company Morse Diesel International has picked up a £26m contract to build a state correctional facility in Cook County.

In the USA, AMEC's joint company Morse Diesel International has picked up a £26m contract to build a state correctional facility in Cook County.

### Expanding exhibition centre

GROWN HOUSE ENGINEERING is creating the "ideal environment" for shows in a new hall complex being added to Birmingham's National Exhibition Centre.

The 24m complex of four halls and concourse will increase show space by an additional 33,000 sq metres.

New halls, used separately or interlinked, are expected to provide the perfect exhibition setting with greater flexibility for displays and stands, and improved quality of services.

Air conditioning and heating

will be programmed to adjust automatically to the varying size of crowds.

The £13.8m contract, awarded by Laing Midlands, the main contractors, covers the design and installation of all heating, ventilation, air conditioning, and electrical services in the new complex.

Exhibitors can have every facility and service supplied direct to their stand in any desired location. Large service tunnels running below the new halls and interlinked, feed a grid system of channels to supply water, gas, air power,

drainage, telephone and information technology to individual stands and displays.

The NEC's glass-domed atrium concourse is being extended to link with the new halls 9 to 12 and two new restaurants and a conference suite. The exhibition space will be boosted to a total of 155,000 sq metres on completion of the complex next summer, and 8,000 car parking spaces are being added, making a total capacity for 18,000 vehicles.

The new halls are scheduled to open with the International Print Show in September 1993.

### New court buildings in Nottingham

HIGGS AND HILL, MIDLANDS has been awarded a £15m contract by Nottinghamshire County Council for the construction of a magistrates court, an office block and a bridewell in central Nottingham. The project is due for completion in spring 1995.

The court building will be five storeys high, comprising three towers around a central glazed atrium with a flat roofed single-storey court holding area and two-storey links to family courts and an office building. The gross floor area will be about 8,000 sq metres.

The works also include the provision of 1.6 kilometres of 14 metres diameter mild steel pipe, 750 metres of prestressed concrete pressure pipe up to 1.8 metres diameter, access roads

and fencing. The storage and pumping facility will act as a short-term storage buffer to maintain supply of raw water to the treatment works in the event of pollution of the River Derwent from which water is abstracted.

Edmund Nuttall is an operating member of HBG, Hollandsche Beton Groep.

The project involves the construction of three HDPE (high density polyethylene) lined

earth lagoons with concrete bases providing total storage of 615,000 cu metres, along with a 40 metre x 25 metre x 10 metre deep pumping station.

The works also include the provision of 1.6 kilometres of 14 metres diameter mild steel pipe, 750 metres of prestressed concrete pressure pipe up to 1.8 metres diameter, access roads

and fencing. The storage and pumping facility will act as a short-term storage buffer to maintain supply of raw water to the treatment works in the event of pollution of the River Derwent from which water is abstracted.

Edmund Nuttall is an operating member of HBG, Hollandsche Beton Groep.

### Water treatment works in Yorkshire

KENDYND NUTTALL has been awarded an £8m contract for the construction of balancing and settling reservoirs and pumping station at Elvington water treatment works near York for Yorkshire Water Services.

The project involves the construction of three HDPE (high density polyethylene) lined

earth lagoons with concrete bases providing total storage of 615,000 cu metres, along with a 40 metre x 25 metre x 10 metre deep pumping station.

The works also include the provision of 1.6 kilometres of 14 metres diameter mild steel pipe, 750 metres of prestressed concrete pressure pipe up to 1.8 metres diameter, access roads

and fencing. The storage and pumping facility will act as a short-term storage buffer to maintain supply of raw water to the treatment works in the event of pollution of the River Derwent from which water is abstracted.

Edmund Nuttall is an operating member of HBG, Hollandsche Beton Groep.

### AMERICAN RE-INSURANCE COMPANY

wishes to advise you that as of 16th November, 1992  
the American Re Group of Companies in London:

American Re Holdings Ltd.

American Re Management Ltd.

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Telephone: 071-867-0911; Facsimile: 071-867-0912

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### MANAGEMENT BUOYS

The FT proposes to publish this survey on  
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The FT is read by 54% of Chief Executives in Europe's largest companies.\*

If you want to reach this important audience, call  
Maria Bevis  
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Data source: \* Chief Executives in Europe 1990

FT SURVEYS

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Jeff notes

SAMSUNG ELECTRONICS CO., LTD

Notice to the holders of US\$100,000,000  
Global Depository Receipts

NOTICE IS HEREBY GIVEN TO THE  
HOLDERS OF ABOVE GSIS THAT:

The Board of Directors Meeting of the  
Company, held on October 6, 1992,

resolved to issue 90,000,000 Shares under  
the following terms and conditions:

1. Form of shares: common stocks in  
registered form.

2. Number of shares to be issued: 42,392,244 Shares of common stock.

3. Issuing method: according to the  
Regulation pertaining to the  
Management of Listed  
Corporations in Korea

4. Allocation of new shares:

1) 20% of the new issues shall be  
allocated to the employees of the company according to  
the Law on Protection of the Capital Market  
at Home

2) Remaining 80% of the new issues  
shall be allocated to shareholders registered on November  
3, 1992 in the proportion of  
0.0700329 per one share

Both the common stocks and shareholders  
of the company shall be entitled to  
receive new common stocks in  
proportion to their respective  
shareholdings.

5. Record date: November 3, 1992

6. Subscription period: December 14,  
1992 - December 15, 1992

7. Payment date: December 17, 1992

8. Others: Portions of shares and  
unsubscribed shares shall be disposed  
according to the Resolution of Board of  
Directors.

Allocation per share is subject to  
change if there are unallocated shares  
by employees of the company  
according to the Law on Protection of the  
Capital Market at Home

GDS holders should contact the  
Depository Bank for further information.

SAMSUNG

## PIRELLI FINANCIAL SERVICES COMPANY N.V.

### NOTICE OF A MEETING

of the holders of the outstanding  
ECU 75,000,000 8 per cent. Guaranteed Notes due 1993

of

PIRELLI FINANCIAL SERVICES COMPANY N.V.

Unconditionally guaranteed by  
PIRELLI SOCIETE GENERALE S.A.

Notice is hereby given that a Meeting of the holders of the above Notes (the "Noteholders") convened by the Issuer will be held at Barrington House, 59-67 Gresham Street, London EC2V 7JA, on 8th December, 1992 at 12.30 pm (London time) for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an Extraordinary Resolution in accordance with the provisions of the Trust Deed (the "Trust Deed") dated 8th August, 1988 made between the Issuer, Pirelli Societe Generale as Guarantor and The Law Debenture Trust Corporation p.l.c. (the "Trustee") as trustee for the Noteholders.

#### Extraordinary Resolution

"That this Meeting of the holders of the outstanding ECU 75,000,000 8 per cent. Guaranteed Notes due 1993 (the "Notes") of Pirelli Financial Services Company N.V. (the "Issuer") constituted by the Trust Deed dated 8th August, 1988 (the "Trust Deed") made between the Issuer, Pirelli Societe Generale S.A. as Guarantor and The Law Debenture Trust Corporation p.l.c. (the "Trustee") as trustee for the Noteholders.

(1) assents to the release of the guarantee of Pirelli Societe Generale S.A. contained in the Trust Deed and the substitution for Pirelli Societe Generale S.A. as the Guarantor in respect of the Notes by Pirelli SpA and agrees that Pirelli SpA shall become the "Guarantor" for all purposes in respect of the Trust Deed, the Notes, the Coupons or otherwise;

(2) assents to the modification of the Terms and Conditions of the Notes as printed on the reverse of them and in the Second Schedule to the Trust Deed and the provisions of the Trust Deed as set out in the draft Supplemental Trust Deed in the form of the draft produced to this Meeting and for the purposes of identification signed by the Chairman of it (the "Supplemental Trust Deed");

(3) authorizes and requests the Trustee to concur in the modifications referred to in paragraphs (1) and (2) of this Resolution and, in order to give effect to it, forthwith to execute the Supplemental Trust Deed with such amendments (if any) as it deems necessary;

(4) sanctions every abrogation, modification, compromise or arrangement in respect of the rights of the Bondholders and the holders of the coupons relating to the Notes against the Issuer and Guarantor involved in or resulting from the modifications referred to in paragraphs (1) and (2) of this Resolution."

#### Background to the proposal

Under the terms of the Trust Deed dated 8th August, 1988, Pirelli Societe Generale S.A. has guaranteed all payments due under the Trust Deed and, together with the Issuer, has given various covenants and a negative pledge. Pirelli Societe Generale S.A. is now wholly owned by Pirelli SpA which has decided to take over the responsibility for guaranteeing all the debts of its subsidiary as a responsibility which it believes had been assumed by Pirelli Societe Generale S.A. in view of this decision, Pirelli SpA has also decided to substitute itself as Guarantor for all existing debts previously guaranteed by Pirelli Societe Generale S.A. It has, therefore, proposed the substitution of itself as the Guarantor of the Issuer's obligations under the Notes.

Pirelli SpA has certain existing secured debt and financial covenants and wishes, therefore to amend the Terms and Conditions of the Notes and Trust Deed (including the negative pledge and financial covenants) relating to the Guarantor as explained in the Explanatory Memorandum dated 13th November 1992 referred to below.

The Issuer has accordingly convened a Meeting of the Noteholders by the above Notice to request their agreement by Extraordinary Resolution to the matters contained in such Extraordinary Resolution.

The Issuer considers that the proposed modifications contained in the Extraordinary Resolution set out above are fair and reasonable in the circumstances and, accordingly, the Issuer strongly urges all Noteholders to vote in favour of the Extraordinary Resolution.

The attention of Noteholders is particularly drawn to the quorum required for the Meeting and for an adjourned Meeting which is set out in paragraph 2 of "Voting and Quorum" below.

Copies of the Trust Deed (including the Terms and Conditions of the Notes) and the draft Supplemental Trust Deed referred to in the Extraordinary Resolution set out above will be available for inspection and copies of an Explanatory Memorandum which includes an explanation of the proposals and financial information of Pirelli SpA, will be available for collection by Noteholders at the specified offices of the Paying Agent set out below.

In accordance with normal practice the Trustee expresses no opinion on the merits of the proposal and modifications but has authorized it to be stated that it has no objection to the Extraordinary Resolution being submitted to the Noteholders for their consideration.

#### Voting and Quorum

1. A Noteholder wishing to attend and vote at the Meeting in person must produce at the Meeting either the Note(s), or a valid voting certificate or valid voting certificates issued by a Paying Agent relating to the Note(s), in respect of which he wishes to vote.

&lt;p

#### **WORLD STOCK MARKETS**

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## **AUTHORISED UNIT TRUSTS**

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Unit	Price	Offer	Yield	Clrs	Unit	Price	Offer	Yield	Clrs	Unit	Price	Offer	Yield	Clrs	Unit	Price	Offer	Yield	Clrs	Unit	Price	Offer	Yield	Clrs			
<b>Precific Life &amp; Pensions Ltd</b>																											
Strategic Fund for Balanced Growth Managed Fund	0.9291 337733	-	-	-	Balanced Fund	1.164 4	1.175 21	-	-	Equity Fund	1.207 0	1.206 4	-	-	Equity Fund	1.207 0	1.206 4	-	-	Equity Fund	1.207 0	1.206 4	-	-	Equity Fund	1.207 0	1.206 4
Retirement Fund Mgt	1.163 2	1.131 2	-	-	Equity Fund	1.279 8	1.298 9	-	-	Equity Fund	1.279 8	1.298 9	-	-	Equity Fund	1.279 8	1.298 9	-	-	Equity Fund	1.279 8	1.298 9	-	-	Equity Fund	1.279 8	1.298 9
Corporate Bond Fund	1.127 2	1.127 4	-	-	Property Fund	1.120 1	1.120 5	-	-	Property Fund	1.120 1	1.120 5	-	-	Property Fund	1.120 1	1.120 5	-	-	Property Fund	1.120 1	1.120 5	-	-	Property Fund	1.120 1	1.120 5
Fixed Int. Fund	1.217 5	1.217 4	-	-	Property Fund	1.121 8	1.121 9	-	-	Property Fund	1.121 8	1.121 9	-	-	Property Fund	1.121 8	1.121 9	-	-	Property Fund	1.121 8	1.121 9	-	-	Property Fund	1.121 8	1.121 9
Int. Fund	1.217 5	1.217 4	-	-	Property Fund	1.122 1	1.122 1	-	-	Property Fund	1.122 1	1.122 1	-	-	Property Fund	1.122 1	1.122 1	-	-	Property Fund	1.122 1	1.122 1	-	-	Property Fund	1.122 1	1.122 1
Special Int.	1.217 5	1.217 4	-	-	Property Fund	1.122 5	1.122 5	-	-	Property Fund	1.122 5	1.122 5	-	-	Property Fund	1.122 5	1.122 5	-	-	Property Fund	1.122 5	1.122 5	-	-	Property Fund	1.122 5	1.122 5
Special Sit.	1.217 5	1.217 4	-	-	Property Fund	1.122 9	1.122 9	-	-	Property Fund	1.122 9	1.122 9	-	-	Property Fund	1.122 9	1.122 9	-	-	Property Fund	1.122 9	1.122 9	-	-	Property Fund	1.122 9	1.122 9
Special Sit.	1.217 5	1.217 4	-	-	Property Fund	1.123 3	1.123 3	-	-	Property Fund	1.123 3	1.123 3	-	-	Property Fund	1.123 3	1.123 3	-	-	Property Fund	1.123 3	1.123 3	-	-	Property Fund	1.123 3	1.123 3
Special Sit.	1.217 5	1.217 4	-	-	Property Fund	1.123 7	1.123 7	-	-	Property Fund	1.123 7	1.123 7	-	-	Property Fund	1.123 7	1.123 7	-	-	Property Fund	1.123 7	1.123 7	-	-	Property Fund	1.123 7	1.123 7
Special Sit.	1.217 5	1.217 4	-	-	Property Fund	1.124 1	1.124 1	-	-	Property Fund	1.124 1	1.124 1	-	-	Property Fund	1.124 1	1.124 1	-	-	Property Fund	1.124 1	1.124 1	-	-	Property Fund	1.124 1	1.124 1
Special Sit.	1.217 5	1.217 4	-	-	Property Fund	1.124 5	1.124 5	-	-	Property Fund	1.124 5	1.124 5	-	-	Property Fund	1.124 5	1.124 5	-	-	Property Fund	1.124 5	1.124 5	-	-	Property Fund	1.124 5	1.124 5
Special Sit.	1.217 5	1.217 4	-	-	Property Fund	1.124 9	1.124 9	-	-	Property Fund	1.124 9	1.124 9	-	-	Property Fund	1.124 9	1.124 9	-	-	Property Fund	1.124 9	1.124 9	-	-	Property Fund	1.124 9	1.124 9
Special Sit.	1.217 5	1.217 4	-	-	Property Fund	1.125 3	1.125 3	-	-	Property Fund	1.125 3	1.125 3	-	-	Property Fund	1.125 3	1.125 3	-	-	Property Fund	1.125 3	1.125 3	-	-	Property Fund	1.125 3	1.125 3
Special Sit.	1.217 5	1.217 4	-	-	Property Fund	1.125 7	1.125 7	-	-	Property Fund	1.125 7	1.125 7	-	-	Property Fund	1.125 7	1.125 7	-	-	Property Fund	1.125 7	1.125 7	-	-	Property Fund	1.125 7	1.125 7
Special Sit.	1.217 5	1.217 4	-	-	Property Fund	1.126 1	1.126 1	-	-	Property Fund	1.126 1	1.126 1	-	-	Property Fund	1.126 1	1.126 1	-	-	Property Fund	1.126 1	1.126 1	-	-	Property Fund	1.126 1	1.126 1
Special Sit.	1.217 5	1.217 4	-	-	Property Fund	1.126 5	1.126 5	-	-	Property Fund	1.126 5	1.126 5	-	-	Property Fund	1.126 5	1.126 5	-	-	Property Fund	1.126 5	1.126 5	-	-	Property Fund	1.126 5	1.126 5
Special Sit.	1.217 5	1.217 4	-	-	Property Fund	1.126 9	1.126 9	-	-	Property Fund	1.126 9	1.126 9	-	-	Property Fund	1.126 9	1.126 9	-	-	Property Fund	1.126 9	1.126 9	-	-	Property Fund	1.126 9	1.126 9
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Special Sit.	1.217 5	1.217 4	-	-	Property Fund	1.127 7	1.127 7	-	-	Property Fund	1.127 7	1.127 7	-	-	Property Fund	1.127 7	1.127 7	-	-	Property Fund	1.127 7	1.127 7	-	-	Property Fund	1.127 7	1.127 7
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Special Sit.	1.217 5	1.217 4	-	-	Property Fund	1.128 5	1.128 5	-	-	Property Fund	1.128 5	1.128 5	-	-	Property Fund	1.128 5	1.128 5	-	-	Property Fund	1.128 5	1.128 5	-	-	Property Fund	1.128 5	1.128 5
Special Sit.	1.217 5	1.217 4	-	-	Property Fund	1.128 9	1.128 9	-	-	Property Fund	1.128 9	1.128 9	-	-	Property Fund	1.128 9	1.128 9	-	-	Property Fund	1.128 9	1.128 9	-	-	Property Fund	1.128 9	1.128 9
Special Sit.	1.217 5	1.217 4	-	-	Property Fund	1.129 3	1.129 3	-	-	Property Fund	1.129 3	1.129 3	-	-	Property Fund	1.129 3	1.129 3	-	-	Property Fund	1.129 3	1.129 3	-	-	Property Fund	1.129 3	1.129 3
Special Sit.	1.217 5	1.217 4	-	-	Property Fund	1.129 7	1.129 7	-	-	Property Fund	1.129 7	1.129 7	-	-	Property Fund	1.129 7	1.129 7	-	-	Property Fund	1.129 7	1.129 7	-	-	Property Fund	1.129 7	1.129 7
Special Sit.	1.217 5	1.217 4	-	-	Property Fund	1.130 1	1.130 1	-	-	Property Fund	1.130 1	1.130 1	-	-	Property Fund	1.130 1	1.130 1	-	-	Property Fund	1.130 1	1.130 1	-	-	Property Fund	1.130 1	1.130 1
Special Sit.	1.217 5	1.217 4	-	-	Property Fund	1.130 5	1.130 5	-	-	Property Fund	1.130 5	1.130 5	-	-	Property Fund	1.130 5	1.130 5	-	-	Property Fund	1.130 5	1.130 5	-	-	Property Fund	1.130 5	1.130 5
Special Sit.	1.217 5	1.217 4	-	-	Property Fund	1.130 9	1.130 9	-	-	Property Fund	1.130 9	1.130 9	-	-	Property Fund	1.130 9	1.130 9	-	-	Property Fund	1.130 9	1.130 9	-	-	Property Fund	1.130 9	1.130 9
Special Sit.	1.217 5	1.217 4	-	-	Property Fund	1.131 3	1.131 3	-	-	Property Fund	1.131 3	1.131 3	-	-	Property Fund	1.131 3	1.131 3	-	-	Property Fund	1.131 3	1.131 3	-	-	Property Fund	1.131 3	1.131 3
Special Sit.	1.217 5	1.217 4	-	-	Property Fund	1.131 7	1.																				

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Unit Price	Offer Price	Yield % Gross	Ctys/ One	Unit Price	Offer Price	Yield % Gross	Ctys/ One	Unit Price	Offer Price	Yield % Gross	Ctys/ One	Unit Price	Offer Price	Yield % Gross	Ctys/ One	Unit Price	Offer Price	Yield % Gross	Ctys/ One	
IBM Global Funds Limited	-	-	-	Lloyds Bank Trust Co (CIO) Managers	1.251	-	-	Norwest Global Fund Ltd	5.07	2.24	2.811	Austrian-Hungary Fund Ltd	5.73	-	-	Northfield International Ltd	1.021	-	-	-
Int'l Svc Fund	-	1.251	21.35	United West Corp. (CIO) Managers	1.251	-	-	Lucent Fund Ltd	1.07	1.257	4.020	Lucent Fund Managers (Greece) Ltd	5.74	-	-	Optima Fund Management	1.4712	-	-	-
Int'l Tech Fund	-	1.251	1.251	US Fund	1.251	-	-	Lyttelton Fund Ltd	5.74	-	-	Opus Asset Management Limited	1.4712	-	-	Optima Fund Management	1.4712	-	-	-
Int'l Income Gilt.	-	1.251	27.30	Management International Library Ltd	1.051	-	-	Macmillan Fund Ltd	5.74	-	-	Opus Capital Inc.	1.4712	-	-	Optima Fund Management	1.4712	-	-	-
International Bond	-	1.251	21.25	Another City Corp. (LTD)	1.051	-	-	Martin Fund Ltd	5.74	-	-	Opus Capital Inc.	1.4712	-	-	Optima Fund Management	1.4712	-	-	-
Managed Currency	-	1.251	59.08	Minerals, Oils Res. Shrs. Fd. Inc.	1.051	-	-	Maxwell Fund Ltd	5.74	-	-	Opus Capital Inc.	1.4712	-	-	Optima Fund Management	1.4712	-	-	-
Other Managed Fund	-	1.251	1.251	MetLife Fund	1.051	-	-	McDonald Fund Ltd	5.74	-	-	Opus Capital Inc.	1.4712	-	-	Optima Fund Management	1.4712	-	-	-
US\$ Current	-	1.251	39.00	MetLife Fund	1.051	-	-	Medlock Fund Ltd	5.74	-	-	Opus Capital Inc.	1.4712	-	-	Optima Fund Management	1.4712	-	-	-
US\$ Bond Fund	-	1.251	39.00	MetLife Fund	1.051	-	-	Meier Fund Ltd	5.74	-	-	Opus Capital Inc.	1.4712	-	-	Optima Fund Management	1.4712	-	-	-
Invest Int'l Commodity	-	1.251	1.251	MetLife Fund	1.051	-	-	Menk Fund Ltd	5.74	-	-	Opus Capital Inc.	1.4712	-	-	Optima Fund Management	1.4712	-	-	-
Target International (State of Maryland)	-	1.251	1.251	MetLife Fund	1.051	-	-	Merle Fund Ltd	5.74	-	-	Opus Capital Inc.	1.4712	-	-	Optima Fund Management	1.4712	-	-	-
MetLife Fund	-	1.251	4.00	MetLife Fund	1.051	-	-	Metz Fund Ltd	5.74	-	-	Opus Capital Inc.	1.4712	-	-	Optima Fund Management	1.4712	-	-	-
JERSEY (SUB-RECOGNISED)	-	-	-	MetLife Fund	1.051	-	-	Miller Fund Ltd	5.74	-	-	Opus Capital Inc.	1.4712	-	-	Optima Fund Management	1.4712	-	-	-
Unit Price	Offr Price	Yield % Gross	Ctys/ One	Unit Price	Offr Price	Yield % Gross	Ctys/ One	Unit Price	Offr Price	Yield % Gross	Ctys/ One	Unit Price	Offr Price	Yield % Gross	Ctys/ One	Unit Price	Offr Price	Yield % Gross	Ctys/ One	
AIB Fund Managers (CIO) Ltd	10.34	10.633	-	Lloyds Bank Trust Co (CIO) Managers	1.251	-	-	Monetary Group (A)	0.71	1.257	4.020	Morris Global Fund Ltd	5.73	-	-	Northfield International Ltd	1.021	-	-	-
AB Fund Managers (CIO) Ltd	10.34	10.633	-	Lloyds Bank Trust Co (CIO) Managers	1.251	-	-	Monetary Group (B)	0.71	1.257	4.020	Morris Global Fund Ltd	5.73	-	-	Northfield International Ltd	1.021	-	-	-
AB Fund Managers (CIO) Ltd	10.34	10.633	-	Lloyds Bank Trust Co (CIO) Managers	1.251	-	-	Monetary Group (C)	0.71	1.257	4.020	Morris Global Fund Ltd	5.73	-	-	Northfield International Ltd	1.021	-	-	-
AB Fund Managers (CIO) Ltd	10.34	10.633	-	Lloyds Bank Trust Co (CIO) Managers	1.251	-	-	Monetary Group (D)	0.71	1.257	4.020	Morris Global Fund Ltd	5.73	-	-	Northfield International Ltd	1.021	-	-	-
AB Fund Managers (CIO) Ltd	10.34	10.633	-	Lloyds Bank Trust Co (CIO) Managers	1.251	-	-	Monetary Group (E)	0.71	1.257	4.020	Morris Global Fund Ltd	5.73	-	-	Northfield International Ltd	1.021	-	-	-
AB Fund Managers (CIO) Ltd	10.34	10.633	-	Lloyds Bank Trust Co (CIO) Managers	1.251	-	-	Monetary Group (F)	0.71	1.257	4.020	Morris Global Fund Ltd	5.73	-	-	Northfield International Ltd	1.021	-	-	-
AB Fund Managers (CIO) Ltd	10.34	10.633	-	Lloyds Bank Trust Co (CIO) Managers	1.251	-	-	Monetary Group (G)	0.71	1.257	4.020	Morris Global Fund Ltd	5.73	-	-	Northfield International Ltd	1.021	-	-	-
AB Fund Managers (CIO) Ltd	10.34	10.633	-	Lloyds Bank Trust Co (CIO) Managers	1.251	-	-	Monetary Group (H)	0.71	1.257	4.020	Morris Global Fund Ltd	5.73	-	-	Northfield International Ltd	1.021	-	-	-
AB Fund Managers (CIO) Ltd	10.34	10.633	-	Lloyds Bank Trust Co (CIO) Managers	1.251	-	-	Monetary Group (I)	0.71	1.257	4.020	Morris Global Fund Ltd	5.73	-	-	Northfield International Ltd	1.021	-	-	-
AB Fund Managers (CIO) Ltd	10.34	10.633	-	Lloyds Bank Trust Co (CIO) Managers	1.251	-	-	Monetary Group (J)	0.71	1.257	4.020	Morris Global Fund Ltd	5.73	-	-	Northfield International Ltd	1.021	-	-	-
AB Fund Managers (CIO) Ltd	10.34	10.633	-	Lloyds Bank Trust Co (CIO) Managers	1.251	-	-	Monetary Group (K)	0.71	1.257	4.020	Morris Global Fund Ltd	5.73	-	-	Northfield International Ltd	1.021	-	-	-
AB Fund Managers (CIO) Ltd	10.34	10.633	-	Lloyds Bank Trust Co (CIO) Managers	1.251	-	-	Monetary Group (L)	0.71	1.257	4.020	Morris Global Fund Ltd	5.73	-	-	Northfield International Ltd	1.021	-	-	-
AB Fund Managers (CIO) Ltd	10.34	10.633	-	Lloyds Bank Trust Co (CIO) Managers	1.251	-	-	Monetary Group (M)	0.71	1.257	4.020	Morris Global Fund Ltd	5.73	-	-	Northfield International Ltd	1.021	-	-	-
AB Fund Managers (CIO) Ltd	10.34	10.633	-	Lloyds Bank Trust Co (CIO) Managers	1.251	-	-	Monetary Group (N)	0.71	1.257	4.020	Morris Global Fund Ltd	5.73	-	-	Northfield International Ltd	1.021	-	-	-
AB Fund Managers (CIO) Ltd	10.34	10.633	-	Lloyds Bank Trust Co (CIO) Managers	1.251	-	-	Monetary Group (O)	0.71	1.257	4.020	Morris Global Fund Ltd	5.73	-	-	Northfield International Ltd	1.021	-	-	-
AB Fund Managers (CIO) Ltd	10.34	10.633	-	Lloyds Bank Trust Co (CIO) Managers	1.251	-	-	Monetary Group (P)	0.71	1.257	4.020	Morris Global Fund Ltd	5.73	-	-	Northfield International Ltd	1.021	-	-	-
AB Fund Managers (CIO) Ltd	10.34	10.633	-	Lloyds Bank Trust Co (CIO) Managers	1.251	-	-	Monetary Group (Q)	0.71	1.257	4.020	Morris Global Fund Ltd	5.73	-	-	Northfield International Ltd	1.021	-	-	-
AB Fund Managers (CIO) Ltd	10.34	10.633	-	Lloyds Bank Trust Co (CIO) Managers	1.251	-	-	Monetary Group (R)	0.71	1.257	4.020	Morris Global Fund Ltd	5.73	-	-	Northfield International Ltd	1.021	-	-	-
AB Fund Managers (CIO) Ltd	10.34	10.633	-	Lloyds Bank Trust Co (CIO) Managers	1.251	-	-	Monetary Group (S)	0.71	1.257	4.020	Morris Global Fund Ltd	5.73	-	-	Northfield International Ltd	1.021	-	-	-
AB Fund Managers (CIO) Ltd	10.34	10.633	-	Lloyds Bank Trust Co (CIO) Managers	1.251	-	-	Monetary Group (T)	0.71	1.257	4.020	Morris Global Fund Ltd	5.73	-	-	Northfield International Ltd	1.021	-	-	-
AB Fund Managers (CIO) Ltd	10.34	10.633	-	Lloyds Bank Trust Co (CIO) Managers	1.251	-	-	Monetary Group (U)	0.71	1.257	4.020	Morris Global Fund Ltd	5.73	-	-	Northfield International Ltd	1.021	-	-	-
AB Fund Managers (CIO) Ltd	10.34	10.633	-	Lloyds Bank Trust Co (CIO) Managers	1.251	-	-	Monetary Group (V)	0.71	1.257	4.020	Morris Global Fund Ltd	5.73	-	-	Northfield International Ltd	1.021	-	-	-
AB Fund Managers (CIO) Ltd	10.34	10.633	-	Lloyds Bank Trust Co (CIO) Managers	1.251	-	-	Monetary Group (W)	0.71	1.257	4.020	Morris Global Fund Ltd	5.73	-	-	Northfield International Ltd	1.021	-	-	-
AB Fund Managers (CIO) Ltd	10.34	10.633	-	Lloyds Bank Trust Co (CIO) Managers	1.251	-	-	Monetary Group (X)	0.71	1.257	4.020	Morris Global Fund Ltd	5.73	-	-	Northfield International Ltd	1.021	-	-	-
AB Fund Managers (CIO) Ltd	10.34	10.633	-	Lloyds Bank Trust Co (CIO) Managers	1.251	-	-	Monetary Group (Y)	0.71	1.257	4.020	Morris Global Fund Ltd	5.73	-	-	Northfield International Ltd	1.021	-	-	-
AB Fund Managers (CIO) Ltd	10.34	10.633	-	Lloyds Bank Trust Co (CIO) Managers	1.251	-	-	Monetary Group (Z)	0											

## CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGE AND MONEY MARKETS

## Dollar rise checked

DEALERS will focus on US and German economic data this week, as they try to work out whether short-term interest rates in both countries will converge, writes James Blatt.

Since the US presidential election, the market has been divided over whether the dollar can break through the DM1.60 level before the end of the year. Those who felt that it would have started to revise their views in recent days.

US clearing bank base lending rate  
7 per cent  
from 13 November 1992

On Friday, the US currency suffered a sharp set back, falling nearly 3 pfennigs against the D-Mark in European trading, and closing at DM1.5680.

One reason for the downward move is that the market is coming to believe that there will be no further easing in official German rates this year.

The Bundesbank is unwilling to ease policy because of inflationary pressures. Friday's rise in October retail sales by

0.9 per cent has given the central bank a further reason not to change view.

Both the October producer prices figure due out today and the figure for M3 money supply growth, due out on Thursday, will give clearer indications of inflationary pressures in the economy.

The dollar could retrace its steps because of continuing sluggish growth in the US economy.

Last Friday's indicators did show some signs of an economic recovery. But some analysts suggested that they were "dollar-negative", because a recovery would give President-elect Bill Clinton a reason to scale back the size of his fiscal stimulus, implying no tightening of US monetary policy.

It will be interesting to see how the market responds to today's industrial production figures for October, to the September trade balance due on Wednesday, and to the October housing starts, which are due the following day.

## E IN NEW YORK

Nov 13 Close Previous Close  
1 month 1,500.00 1,501.00  
2 months 1,526.00 1,529.00  
3 months 1,521.00 1,520.00

Forward premium and discount apply to the US dollar

## STERLING INDEX

Nov 13 Previous  
8.30 77.8 78.0  
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367.00 113.6 78.0  
368.00 113.7 78.0  
369.00 113.8 78.0  
370.00 113.9 78.0  
371.00 114.0 78.0  
372.00 114.1 78.0  
373.00 114.2 78.0  
3





4 pm close November 13

## NEW YORK STOCK EXCHANGE COMPOSITE PRICES

	Vid.	Pt. \$10	Clos. Prev.	Vid.	Pt. \$10	Clos. Prev.	Vid.	Pt. \$10	Clos. Prev.	Vid.	Pt. \$10	Clos. Prev.	Vid.	Pt. \$10	Clos. Prev.	Vid.	Pt. \$10	Clos. Prev.	Vid.	Pt. \$10	Clos. Prev.	Vid.	Pt. \$10	Clos. Prev.				
High Low Stock	Dix. % E 1000	High	Low Clos. Close	1992	Vid.	Pt. \$10	Clos. Prev.	1992	Vid.	Pt. \$10	Clos. Prev.	1992	Vid.	Pt. \$10	Clos. Prev.	1992	Vid.	Pt. \$10	Clos. Prev.	1992	Vid.	Pt. \$10	Clos. Prev.	1992	Vid.	Pt. \$10	Clos. Prev.	
15% 11 AAR Corp	0.48	2.9	10 177 125	12 124	1992	High Low Stock	Dix. % E 1000	High	Low Clos. Close	1992	High Low Stock	Dix. % E 1000	High	Low Clos. Close	1992	High Low Stock	Dix. % E 1000	High	Low Clos. Close	1992	High Low Stock	Dix. % E 1000	High	Low Clos. Close				
20% 25 AARP Lab A	0.18	0.94	10 177 125	21 184 209	1992	50% 50% Best Indus	0.40	3.0	8 173 117	21 124	1992	50% 45% Culver	0.20	0.8	7 173 117	21 124	1992	25% 25% Best Indus	0.20	0.8	7 173 117	21 124	1992	10% 10% Best Indus	0.15	2.7	12 122 117	21 124
20% 25 AARP Lab B	1.02	1.82	10 177 125	21 184 209	1992	50% 45% Indus Inv A	0.55	2.0	10 177 125	21 124	1992	50% 45% Current	1.00	0.8	14 173 117	21 124	1992	25% 25% Best Indus	0.20	0.8	7 173 117	21 124	1992	10% 10% Best Indus	0.15	2.7	12 122 117	21 124
60% 54% AMF Int	1.22	1.30	10 177 125	61 64 65	1992	50% 15% Bonds +	0.48	2.2	23 225 225	23 225	1992	50% 15% Current	1.00	0.8	14 173 117	21 124	1992	25% 25% Best Indus	0.20	0.8	7 173 117	21 124	1992	10% 10% Best Indus	0.15	2.7	12 122 117	21 124
2% 12 APTX	12 111 2	2 15	1%	1992	50% 20% Best Serv	4.20	8.0	2 547 234	23 225	1992	50% 20% Current	1.00	0.8	14 173 117	21 124	1992	25% 25% Best Indus	0.20	0.8	7 173 117	21 124	1992	10% 10% Best Indus	0.15	2.7	12 122 117	21 124	
52% 24 ARA X	2.00	8.2	21 204 204	31 7 324	1992	50% 20% Best Serv	0.55	1.5	10 173 117	21 124	1992	50% 20% Current	1.00	0.8	14 173 117	21 124	1992	25% 25% Best Indus	0.20	0.8	7 173 117	21 124	1992	10% 10% Best Indus	0.15	2.7	12 122 117	21 124
12% 105 Adels Pr	0.40	3.0	7 11	11	1992	50% 20% Best Serv	0.55	1.5	10 173 117	21 124	1992	50% 20% Current	1.00	0.8	14 173 117	21 124	1992	25% 25% Best Indus	0.20	0.8	7 173 117	21 124	1992	10% 10% Best Indus	0.15	2.7	12 122 117	21 124
10% 84 AGM Grp x	0.78	9.4	7 11	11	1992	50% 20% Best Serv	0.55	1.5	10 173 117	21 124	1992	50% 20% Current	1.00	0.8	14 173 117	21 124	1992	25% 25% Best Indus	0.20	0.8	7 173 117	21 124	1992	10% 10% Best Indus	0.15	2.7	12 122 117	21 124
11% 84 AGM Grp x	0.78	9.4	7 11	11	1992	50% 20% Best Serv	0.55	1.5	10 173 117	21 124	1992	50% 20% Current	1.00	0.8	14 173 117	21 124	1992	25% 25% Best Indus	0.20	0.8	7 173 117	21 124	1992	10% 10% Best Indus	0.15	2.7	12 122 117	21 124
11% 84 AGM Grp x	0.78	9.4	7 11	11	1992	50% 20% Best Serv	0.55	1.5	10 173 117	21 124	1992	50% 20% Current	1.00	0.8	14 173 117	21 124	1992	25% 25% Best Indus	0.20	0.8	7 173 117	21 124	1992	10% 10% Best Indus	0.15	2.7	12 122 117	21 124
11% 84 AGM Grp x	0.78	9.4	7 11	11	1992	50% 20% Best Serv	0.55	1.5	10 173 117	21 124	1992	50% 20% Current	1.00	0.8	14 173 117	21 124	1992	25% 25% Best Indus	0.20	0.8	7 173 117	21 124	1992	10% 10% Best Indus	0.15	2.7	12 122 117	21 124
11% 84 AGM Grp x	0.78	9.4	7 11	11	1992	50% 20% Best Serv	0.55	1.5	10 173 117	21 124	1992	50% 20% Current	1.00	0.8	14 173 117	21 124	1992	25% 25% Best Indus	0.20	0.8	7 173 117	21 124	1992	10% 10% Best Indus	0.15	2.7	12 122 117	21 124
11% 84 AGM Grp x	0.78	9.4	7 11	11	1992	50% 20% Best Serv	0.55	1.5	10 173 117	21 124	1992	50% 20% Current	1.00	0.8	14 173 117	21 124	1992	25% 25% Best Indus	0.20	0.8	7 173 117	21 124	1992	10% 10% Best Indus	0.15	2.7	12 122 117	21 124
11% 84 AGM Grp x	0.78	9.4	7 11	11	1992	50% 20% Best Serv	0.55	1.5	10 173 117	21 124	1992	50% 20% Current	1.00	0.8	14 173 117	21 124	1992	25% 25% Best Indus	0.20	0.8	7 173 117	21 124	1992	10% 10% Best Indus	0.15	2.7	12 122 117	21 124
11% 84 AGM Grp x	0.78	9.4	7 11	11	1992	50% 20% Best Serv	0.55	1.5	10 173 117	21 124	1992	50% 20% Current	1.00	0.8	14 173 117	21 124	1992	25% 25% Best Indus	0.20	0.8	7 173 117	21 124	1992	10% 10% Best Indus	0.15	2.7	12 122 117	21 124
11% 84 AGM Grp x	0.78	9.4	7 11	11	1992	50% 20% Best Serv	0.55	1.5	10 173 117	21 124	1992	50% 20% Current	1.00	0.8	14 173 117	21 124	1992	25% 25% Best Indus	0.20	0.8	7 173 117	21 124	1992	10% 10% Best Indus	0.15	2.7	12 122 117	21 124
11% 84 AGM Grp x	0.78	9.4	7 11	11	1992	50% 20% Best Serv	0.55	1.5	10 173 117	21 124	1992	50% 20% Current	1.00	0.8	14 173 117	21 124	1992	25% 25% Best Indus	0.20	0.8	7 173 117	21 124	1992	10% 10% Best Indus	0.15	2.7	12 122 117	21 124
11% 84 AGM Grp x	0.78	9.4	7 11	11	1992	50% 20% Best Serv	0.55	1.5	10 173 117	21 124	1992	50% 20% Current	1.00	0.8	14 173 117	21 124	1992	25% 25% Best Indus	0.20	0.8	7 173 117	21 124	1992	10% 10% Best Indus	0.15	2.7	12 122 117	21 124
11% 84 AGM Grp x	0.78	9.4	7 11	11	1992	50% 20% Best Serv	0.55	1.5	10 173 117	21 124	1992	50% 20% Current	1.00	0.8	14 173 117	21 124	1992	25% 25% Best Indus	0.20	0.8	7 173 117	21 124	1992	10% 10% Best Indus	0.15	2.7	12 122 117	21 124
11% 84 AGM Grp x	0.78	9.4	7 11	11	1992	50% 20% Best Serv	0.55	1.5	10 173 117	21 124	1992	50% 20% Current	1.00	0.8	14 173 117	21 124	1992	25% 25% Best Indus	0.20	0.8	7 173 117	21 124	1992	10% 10% Best Indus	0.15	2.7	12 122 117	21 124
11% 84 AGM Grp x	0.78	9.4	7 11	11	1992	50% 20% Best Serv	0.55	1.5	10 173 117	21 124	1992	50% 20% Current	1.00	0.8	14 173 117	21 124	1992	25% 25% Best Indus	0.20	0.8	7 173 117	21 124	1992	10% 10% Best Indus	0.15	2.7	12 122 117	21 124
11% 84 AGM Grp x	0.78	9.4	7 11	11	1992	50% 20% Best Serv	0.55	1.5	10 173 117	21 124	1992	50% 20% Current	1															

## **NYSE COMPOSITE PRICES**

Continued from previous page																														
1982	High Stock	Div.	P/E	1982	Close	Prev.	1982	High	Low	Stock	Div.	P/E	1982	Close	Prev.	1982	High	Low	Stock											
High	Low	%	E	1982	High	Low	Close	High	Low	Stock	Div.	%	E	1982	High	Low	Stock	Div.	%	E	1982	High	Low	Stock						
36 1/2	26 1/2	Salomon Inc	0.64	1.7	133661	58%	30 1/2	30 1/2	30 1/2	+1/2	10 1/2	8 1/2	TempelGlob	0.23	2.8	264	21 1/2	21 1/2	21 1/2	+1/2	12 1/2	10 3/4	Veriplast	0.34	7.5	151	11 1/2	11 1/2	11 1/2	
25 21 1/2	21 1/2	Sentro G&E	1.44	6.1	14 812	23%	23 1/2	23 1/2	23 1/2	+1/2	8 1/2	8 1/2	TempoFid	0.34	2.5	1165	8 1/2	8 1/2	8 1/2	+1/2	7 1/2	5 3/4	Verso Int'l	0.38	413	424	4 1/2	4 1/2	4 1/2	
4 1/2	2 1/2	SantaFeGas	0.40	10.3	64	10	4	3 1/2	3 1/2	3 1/2	-1/2	40 31	19 1/2	Tennecoln	1.60	4.5	332024	354	342	342	+1/2	42 5/2	32 1/2	Varian Ass	0.38	0.9	210	55	41	41
7 1/2	7 1/2	SantaFeGas	0.16	1.95	633	83%	8 1/2	8 1/2	8 1/2	+1/2	23 1/2	19 1/2	Teppo Fin	2.20	10.2	16	59	21 1/2	21 1/2	21 1/2	+1/2	18 1/2	12 1/2	Verty Corp	1.30	7.5	80	17 1/2	17 1/2	17 1/2
30 1/2	30 1/2	SantaFePac	2.80	7.5	13 103	37 1/2	36 1/2	36 1/2	+1/2	20 1/2	19 1/2	Tetradyne	1.18	16	181	14 1/2	14 1/2	14 1/2	+1/2	22 1/2	12 1/2	Vestair	1.18	7.8	0	17 1/2	14 1/2	14 1/2		
14 1/2	10 1/2	Santafe	x	0.18	6.3	331687	13 1/2	13	13	+1/2	18 1/2	15 1/2	Terra Inds	0.08	0.8	3 2	27 1/2	9 1/2	9 1/2	+1/2	14 1/2	14 1/2	Vestair	1.18	7.8	0	17 1/2	14 1/2	14 1/2	
50 1/2	45 1/2	Santafe	0.60	1.6	13	103	59 1/2	59 1/2	59 1/2	+1/2	15 1/2	12 1/2	Tesoro Pet	1.20	2.9	3 3/2	4 1/2	4 1/2	4 1/2	+1/2	7 1/2	6 1/2	Verso Int'l	0.60	500	512	55 1/2	55 1/2	55 1/2	
9 1/2	8	Savin	0	4	1 1/2	1 1/2	1 1/2	+1/2	5 1/2	5 1/2	Texaco	3.20	5.4	162000	507	507	507	+1/2	25 1/2	19 1/2	Vestair Int'l	0.20	222	337	324	324	324			
44 1/2	38 1/2	Savon Corp	2.68	6.7	131214	40 1/2	40 1/2	40 1/2	+1/2	35 1/2	35 1/2	Texaco C	3.75	7.1	8	53 1/2	52 1/2	52 1/2	+1/2	37 1/2	32 1/2	Vesta Res	7	16	14 1/2	14 1/2	14 1/2	14 1/2		
47 1/2	40 1/2	Scoorcorp	2.80	6.1	131286	43 1/2	43 1/2	43 1/2	+1/2	35 1/2	35 1/2	Thermon	0.20	0.9	55	21 1/2	21 1/2	21 1/2	+1/2	38 1/2	34 1/2	Vivian Inc	1.10	21.0	370	57 1/2	57 1/2	57 1/2		
68 49 1/2	62 1/2	Scheiring	1.56	2.4	165161	65 1/2	65 1/2	65 1/2	+1/2	52 1/2	52 1/2	Thermal	0.13	0.3	20	963	44	44	+1/2	54 1/2	54 1/2	Vestair	1.18	7.8	0	17 1/2	14 1/2	14 1/2		
70 1/2	52 1/2	Schaefer	1.20	2.0	179145	82 1/2	82 1/2	82 1/2	+1/2	52 1/2	52 1/2	Thermal	0.10	2.4	31	41	17 1/2	15 1/2	+1/2	51 1/2	51 1/2	Vestair	1.18	7.8	0	17 1/2	14 1/2	14 1/2		
10 1/2	4 1/2	Schaefer	0.67	8	6	6	6	6	+1/2	52 1/2	52 1/2	Thermal	0.10	10.5	5	10 1/2	10 1/2	10 1/2	+1/2	50 1/2	50 1/2	Vestair	1.18	7.8	0	17 1/2	14 1/2	14 1/2		
10 1/2	7 1/2	Schaefer	0.16	3.8	8885	34 1/2	34 1/2	34 1/2	+1/2	52 1/2	52 1/2	Thermal	1.10	16.5	7	30 1/2	30 1/2	30 1/2	+1/2	50 1/2	50 1/2	Vestair	1.18	7.8	0	17 1/2	14 1/2	14 1/2		
36 1/2	31 1/2	Schaefer	0.80	22	76 584	37 1/2	37 1/2	37 1/2	+1/2	52 1/2	52 1/2	Thermal	1.12	2.0	10	223	30 1/2	30 1/2	+1/2	50 1/2	50 1/2	Vestair	1.18	7.8	0	17 1/2	14 1/2	14 1/2		
17 1/2	13 1/2	Schaefer	0.22	1.5	61	14 1/2	14 1/2	14 1/2	+1/2	52 1/2	52 1/2	Thermal	0.25	2.3	119	103	102	102	+1/2	50 1/2	50 1/2	Vestair	1.18	7.8	0	17 1/2	14 1/2	14 1/2		
9 1/2	8	Schaefer	0.38	3 1/2	17 5	8 1/2	8 1/2	8 1/2	+1/2	52 1/2	52 1/2	Thermal	0.15	2.7	145	130	129	129	+1/2	50 1/2	50 1/2	Vestair	1.18	7.8	0	17 1/2	14 1/2	14 1/2		
16 1/2	14 1/2	Schaefer	0.45	3.3	8	13	13	13	+1/2	52 1/2	52 1/2	Thermal	0.10	2.4	31	41	17 1/2	15 1/2	+1/2	50 1/2	50 1/2	Vestair	1.18	7.8	0	17 1/2	14 1/2	14 1/2		
31 1/2	25 1/2	Schaefer	0.58	2.1	132200	26 1/2	26 1/2	26 1/2	+1/2	52 1/2	52 1/2	Thermal	1.10	2.0	22	865	84 1/2	84 1/2	+1/2	50 1/2	50 1/2	Vestair	1.18	7.8	0	17 1/2	14 1/2	14 1/2		
32 1/2	21 1/2	Schaefer	0.22	4 1/2	30 1/2	30 1/2	30 1/2	+1/2	52 1/2	52 1/2	Thermal	0.10	2.4	31	41	17 1/2	15 1/2	+1/2	50 1/2	50 1/2	Vestair	1.18	7.8	0	17 1/2	14 1/2	14 1/2			
26 1/2	20 1/2	Schaefer	0.20	2 1/2	57	20 1/2	20 1/2	20 1/2	+1/2	52 1/2	52 1/2	Thermal	0.15	0.8	66	222	19 1/2	19 1/2	+1/2	50 1/2	50 1/2	Vestair	1.18	7.8	0	17 1/2	14 1/2	14 1/2		
23 1/2	12 1/2	SPE Corp	0.40	2.0	15	57	20 1/2	20 1/2	20 1/2	+1/2	52 1/2	52 1/2	Thermal	1.10	2.0	22	865	84 1/2	84 1/2	+1/2	50 1/2	50 1/2	Vestair	1.18	7.8	0	17 1/2	14 1/2	14 1/2	
49	37	Sterling	2.00	4.8	373648	43 1/2	43 1/2	43 1/2	+1/2	52 1/2	52 1/2	Thermal	0.10	2.4	31	41	17 1/2	15 1/2	+1/2	50 1/2	50 1/2	Vestair	1.18	7.8	0	17 1/2	14 1/2	14 1/2		
13 1/2	11 1/2	Sterling	2.00	4.8	78	70	70	70	+1/2	52 1/2	52 1/2	Thermal	0.10	2.4	31	41	17 1/2	15 1/2	+1/2	50 1/2	50 1/2	Vestair	1.18	7.8	0	17 1/2	14 1/2	14 1/2		
41 1/2	37 1/2	Sterling	0.80	1.6	35 1/2	37 1/2	37 1/2	+1/2	52 1/2	52 1/2	Thermal	0.10	2.4	31	41	17 1/2	15 1/2	+1/2	50 1/2	50 1/2	Vestair	1.18	7.8	0	17 1/2	14 1/2	14 1/2			
41 1/2	31 1/2	Sterling	0.80	1.6	24 1/2	30 1/2	30 1/2	+1/2	52 1/2	52 1/2	Thermal	0.10	2.4	31	41	17 1/2	15 1/2	+1/2	50 1/2	50 1/2	Vestair	1.18	7.8	0	17 1/2	14 1/2	14 1/2			
41 1/2	27 1/2	Sterling	0.80	1.6	24 1/2	30 1/2	30 1/2	+1/2	52 1/2	52 1/2	Thermal	0.10	2.4	31	41	17 1/2	15 1/2	+1/2	50 1/2	50 1/2	Vestair	1.18	7.8	0	17 1/2	14 1/2	14 1/2			
41 1/2	21 1/2	Sterling	0.80	1.6	24 1/2	30 1/2	30 1/2	+1/2	52 1/2	52 1/2	Thermal	0.10	2.4	31	41	17 1/2	15 1/2	+1/2	50 1/2	50 1/2	Vestair	1.18	7.8	0	17 1/2	14 1/2	14 1/2			
41 1/2	17 1/2	Sterling	0.80	1.6	24 1/2	30 1/2	30 1/2	+1/2	52 1/2	52 1/2	Thermal	0.10	2.4	31	41	17 1/2	15 1/2	+1/2	50 1/2	50 1/2	Vestair	1.18	7.8	0	17 1/2	14 1/2	14 1/2			
41 1/2	13 1/2	Sterling	0.80	1.6	24 1/2	30 1/2	30 1/2	+1/2	52 1/2	52 1/2	Thermal	0.10	2.4	31	41	17 1/2	15 1/2	+1/2	50 1/2	50 1/2	Vestair	1.18	7.8	0	17 1/2	14 1/2	14 1/2			
41 1/2	9 1/2	Sterling	0.80	1.6	24 1/2	30 1/2	30 1/2	+1/2	52 1/2	52 1/2	Thermal	0.10	2.4	31	41	17 1/2	15 1/2	+1/2	50 1/2	50 1/2	Vestair	1.18	7.8	0	17 1/2	14 1/2	14 1/2			
41 1/2	5 1/2	Sterling	0.80	1.6	24 1/2	30 1/2	30 1/2	+1/2	52 1/2	52 1/2	Thermal	0.10	2.4	31	41	17 1/2	15 1/2	+1/2	50 1/2	50 1/2	Vestair	1.18	7.8	0	17 1/2	14 1/2	14 1/2			
41 1/2	1 1/2	Sterling	0.80	1.6	24 1/2	30 1/2	30 1/2	+1/2	52 1/2	52 1/2	Thermal	0.10	2.4	31	41	17 1/2	15 1/2	+1/2	50 1/2	50 1/2	Vestair	1.18	7.8	0	17 1/2	14 1/2	14 1/2			
41 1/2	1 1/2	Sterling	0.80	1.6	24 1/2	30 1/2	30 1/2	+1/2	52 1/2	52 1/2	Thermal	0.10	2.4	31	41	17 1/2	15 1/2	+1/2	50 1/2	50 1/2	Vestair	1.18	7.8	0	17 1/2	14 1/2	14 1/2			
41 1/2	1 1/2	Sterling	0.80	1.6	24 1/2	30 1/2	30 1/2	+1/2	52 1/2	52 1/2	Thermal	0.10	2.4	31	41	17 1/2	15 1/2	+1/2	50 1/2	50 1/2	Vestair	1.18	7.8	0	17 1/2	14 1/2	14 1/2			
41 1/2	1 1/2	Sterling	0.80	1.6	24 1/2	30 1/2	30 1/2	+1/2	52 1/2	52 1/2	Thermal	0.10	2.4	31	41	17 1/2	15 1/2	+1/2	50 1/2	50 1/2	Vestair	1.18	7.8	0	17 1/2	14 1/2	14 1/2			
41 1/2	1 1/2	Sterling	0.80	1.6	24 1/2	30 1/2	30 1/2	+1/2	52 1/2	52 1/2	Thermal	0.10	2.4	31	41	17 1/2	15 1/2	+1/2	50 1/2	50 1/2	Vestair	1.18	7.8	0	17 1/2	14 1/2	14 1/2			
41 1/2	1 1/2	Sterling	0.80	1.6	24 1/2	30 1/2	30 1/2	+1/2	52 1/2	52 1/2	Thermal	0.10	2.4	31	41	17 1/2	15 1/2	+1/2	50 1/2	50 1/2	Vestair	1.18	7.8	0	17 1/2	14 1/2	14 1/2			
41 1/2	1 1/2	Sterling	0.80	1.6	24 1/2	30 1/2	30 1/2	+1/2	52 1/2	52 1/2	Thermal	0.10	2.4	31	41	17 1/2	15 1/2	+1/2	50 1/2	50 1/2	Vestair	1.18	7.8	0	17 1/2	14 1/2	14 1/2			
41 1/2	1 1/2	Sterling	0.80	1.6	24 1/2	30 1/2	30 1/2	+1/2	52 1/2	52 1/2	Thermal	0.10	2.4	31	41	17 1/2	15 1/2	+1/2	50 1/2	50 1/2	Vestair	1.18	7.8	0	17 1/2	14 1/2	14 1/2			
41 1/2	1 1/2	Sterling	0.80	1.6	24 1/2	30 1/2	30 1/2	+1/2	52 1/2	52 1/2	Thermal	0.10	2.4	31	41	17 1/2	15 1/2	+1/2	50 1/2	50 1/2	Vestair	1.18	7.8	0	17 1/2	14 1/2	14 1/2			
41 1/2	1 1/2	Sterling	0.80	1.6	24 1/2	30 1/2	30 1/2	+1/2	52 1/2	52 1/2	Thermal	0.10	2.4	31	41	17 1/2	15 1/2	+1/2	50 1/2	50 1/2	Vestair	1.18	7.8	0	17 1/2	14 1/2	14 1/2			
41 1/2	1 1/2	Sterling	0.80	1.6	24 1/2	30 1/2	30 1/2	+1/2	52 1/2	52 1/2	Thermal	0.10	2.4	31	41	17 1/2	15 1/2	+1/2	50 1/2	50 1/2	Vestair	1.18	7.8	0	17 1/2	14 1/2	14 1/2</			

## **NASDAQ NATIONAL MARKET**

*4 pm close November 13*

	P	Sls		P	Sls		P	Sls		P	Sls		P	Sls		P	Sls		P	Sls		P	Sls		
Stock	Div.	E	1998	High	Low	Last	Chng	Stock	Div.	E	1998	High	Low	Last	Chng	Stock	Div.	E	1998	High	Low	Last	Chng		
ADC Networks	A	0.44	21	144	35	35	+4	DH Tech	A	12	67	141	13%	141	+7	Lancaster	A	0.60	17	310	+30%	364	364	-	
ADC Corp	A	0.16	44	234	17	16	-18	DellBull	B	0.60	55	345	-29%	384	-10	Lance Inc	A	0.56	18	214	-23%	24	24	+4	
Actech A	C	0.24	2200	134	134	134	-13%	Digi Bell	C	27	3856	3214	18%	3020	+2%	Landschap	C	16	1508	14%	1312	142	+1		
Acme Mts	A	0.25	22	124	114	114	-11%	Dig Macro	C	3	257	81	5%	8	-2	LaserScope	A	4	211	4%	41	41	-		
Action Co	A	31	1550	824	314	324	+4	Dig Sound	C	37	1165	34	2%	3	-6	Lattice S	A	18	299	214	214	214	+4		
Adaptech	A	17	3207	23	22	23	+4	Dig Syst	C	16	2132	12%	10%	11%	+5	Lemon Pro	A	0.40	21	623	-23%	224	234	+4	
ADG Tele	A	32	470	404	40	40	+4	Dines Co	C	19	350	374	36%	362	-4	LDI Cpt	C	5	97	84	71	84	+4		
Addingtons	A	75	510	134	134	134	-13%	Dudu Ym	C	0.20	5	160	111	11	11	+2	Lechters	C	24	514	194	184	184	+4	
Adia Serv	A	0.16	21	2	17	15	-17	Dura Plus	C	8	624	6	5%	6	+8	Lequel Cpt	C	0.61	20	364	+6%	484	482	-	
Adia Sys	A	0.32	18	5700	242	324	+4	Dollar Gt	C	0.20	22	153	20%	254	-26%	Let'sTech	A	0.80	13	221	-30	294	294	-	
Adience C	A	10	243	74	72	72	-2%	Dom Bldg	C	0.44	41	271	204	204	-20%	LifeLine	A	0.20	24	120	-22	22	22	-	
Adv Logic	A	7	675	42	41	41	-1%	Dorch Hn	C	0.20	61	182	111	111	-11	Lifeline	C	527	2789	51	41	51	+4		
Adv Polys	A	17	876	10	91	91	-1%	DiscroEnergy	C	11	2	14	134	134	-4	LilyBirdsA	A	0.52	19	669	-21%	202	202	-	
AdvTechLab	A	8	108	21	20	21	+4	DressBurn	C	23	988	74	17%	174	+8	Lin Board	C	33	706	754	754	754	-		
Adv Tele	A	26	617	514	304	304	-	Driv Gt	C	0.24	24	1023	23%	22	22	+1	Lincoln F	A	1.09	8	447	-24%	234	234	-
Advantek	A	0.20	15	2860	27	26	-2%	Dug Engs	C	0.08	18	250	6%	54	-6	Lincus T	A	0.88	15	368	-23%	254	254	+4	
Adv Sys	A	21	87	23	23	23	-1%	Duq Stry	C	1.14	7	14	14	14	-4	LindayAll	C	15	581	314	31	31	-		
Affymax	A	33	252	22	21	21	-1%	Durkson	C	0.80	17	767	26%	244	252	-2	LinerTec	C	0.05	31	291	-62%	454	462	-
Agency Re	A	11	417	84	83	83	-1%	Durr Fll	C	0.30	24	6	32%	32	-2	LiquiBox	C	0.16	38	20	-25	35	+5	+4	
AgnicoreCo	A	0.07	1	83	42	41	-1%	Dynatech	C	11	5	2	22	22	-2	Lorain Co	C	0.03	25	413	14%	141	141	+4	
Age Re	A	1.02	7	873	364	374	+8	Dynatech	C	13	6	16	14	14	-4	Lote Stu	C	9	1379	3%	24	31	-		
Alaris Co	A	26	2305	16	15	15	+8	-	-	-	-	-	-	-	Lotes Dev	C	12	588	212	204	212	+4			
Alaric Ad	A	0.86	11	675	224	22	-2%	-	-	-	-	-	-	-	LTX Cpt	C	1	5738	2%	1%	2%	+4			
Alaris AW	A	15	235	63	63	63	-1%	-	-	-	-	-	-	-	LVMH	C	2.03	14	10	1411	2%	1362	1392	-	
Alaris Org	A	0.48	10	32	28	28	-2%	Eagle Fd	C	8	94	84	6%	84	-6	-	-	-	-	-	-	-	-		
Alaris Ph	A	11	4747	14	14	14	-1%	Easel Cpt	C	45	279	94	5%	94	+4	-	-	-	-	-	-	-	-		
AlarisSoft	A	1.00	16	265	174	174	+4	EastEnergy	C	17	230	1	1%	1	-1	-	-	-	-	-	-	-	-		
Alid Capitl	A	0.02	12	52	14	13	-1%	EarthFin	C	0	221	5	5%	5	-5	-	-	-	-	-	-	-	-		
Alis Gold	A	1	188	1	1	1	-1%	Ephesold	C	0.06	26	1089	32%	303	-32%	+1	ED Cars	A	0.10	16	916	36%	354	364	+4
Alis Gold	A	15	4898	124	124	124	-1%	ElectroSci	C	7	815	54	5%	54	-5	MS Cars	C	18	319	174	163	163	-		
Alis Gold	A	0.80	7	87	20%	20%	-1%	Electricity	C	2.20	29	1100	25%	38	-20	+1	Mec Mkt	A	0.49	18	12	13%	134	134	-
Alis Co	A	34	17	18	16	16	-1%	ElectroSci	C	2.20	29	1100	25%	38	-20	+1	Megatec	C	1.82	14	21	314	304	314	+1
Alis Engg	A	10	717	204	20	20	-1%	ElectroSci	C	2.20	29	1100	25%	38	-20	+1	Megatec	C	1.82	14	21	314	304	314	+1
Alis Engg	A	14	728	6	74	74	-1%	ElectroSci	C	2.20	29	1100	25%	38	-20	+1	Megatec	C	1.82	14	21	314	304	314	+1
Alis Soft	A	0.32	15	1988	10%	10%	-1%	Enten Ass	C	17	927	94	9%	94	-6	Megatec	C	0.68	29	379	15%	154	154	-	
AlisSoft A	A	0.05	15	4500	49	49	-1%	Entex Co	C	81	376	7	7%	7	-7	Melco Box	C	30	108	7	15	14	-1		
Alaris Inte	A	1	30	1	1	1	-1%	Enclean	C	22	2222	8%	5%	81	+7	Mercosur	C	1.00	27	2191	294	284	282	+1	
AlarisInte	A	22	1814	24	11	11	-1%	EngyVest	C	35	30	12	11	11	-2	Merkel	C	8	48	28	27	274	+4		
Alas Natl I	A	2.04	8	4	42	42	-1%	Engrapsh	C	0.12	21	144	10%	114	-114	Merspensi	C	1	71	4%	4	4	-		
Alas Powr	A	42	1245	443	42	43	-1%	Enzex Inc	C	5	1339	8%	7%	7	-8	Merrill	C	81	12	84	81	81	-		
Alat Triv	A	8	752	71	65	71	-1%	EquityOr	C	0.20171	65	3%	3%	3%	MerryGlobe	C	0.44	10	3	14	103	131	-		
Alat Fint	A	17	45	15	15	15	-1%	Ericsson	C	0.51	61	2245	22	218	-21	Mersh	C	146	12	25	62	62	-		
Alangen Inc	A	100	13889	10	74	73	-1%	Excalibur	C	29	273	16%	18%	18	-	Mesco Inc	C	83	22	104	5%	10	-		
Alanis Co	A	89	2318	26	25	25	-1%	Excalibur	C	1	1510	1%	1%	1%	-	Mescom	C	25	871	35	24	24	-		
AlarisFin	A	2	740	24	24	24	-1%	Excalibur	C	17	9226	20%	18%	20%	-	Meter Co	C	6	3258	18%	15	15	-		
Analogic	A	14	233	11	10%	22	-1%	Excalibur	C	14	25	22	17%	174	-	Micromet	C	0.35	10	16	13	13	-		
Analytica	A	0.60	17	68	62	21	-2%	Expedit I	C	16	129	30%	29%	28%	-	Micromet	C	0.40	20	828	28%	274	28	-	
Antecomm	A	1.00	30	1873	12%	11%	-1%	Expedit I	C	16	129	30%	29%	28%	-	MicroCell	C	13	5767	37	31%	31	-		
Andrews	A	18	1545	44	44	44	-1%	-	-	-	-	-	-	-	MECA Soft	C	2	315	4%	3%	3%	-			
Andrea	A	10	887	18	16	16	-1%	Felt Grp	C	12	1008	7%	7	7	-	Metro Com	C	0.04	4711	68	354	344	-		
Angkor Eng	A	0.28	37	38	32	32	-1%	Felt Cpt	C	0.24	20	8	7	6%	62	-	Metro Inc	C	0.14	471	18	10	10	-	
APP Bio	A	31	1400	15%	13%	13%	-1%	Festimall	C	0.03	45	20	8	7	6%	Meteor	C	0.38	16	20	25	24	-		
Appd Ind	A	57	6265	10%	32%	32%	-1%	FHTC Ind	C	10	1820	20%	18%	20%	-	Meteorite	C	0.24	12	155	5%	64	54	-	
Appli Case	A	0.48	12	7656	67%	56	-5%	Fortronics	C	4	93	53	5%	54	-5	Meteorite	C	0.18	27	957	18%	18	18%	-	
Appliance	A	0.08	53	131	28	28	-1%	Fifth Third	C	0.06	17	1780	51%	50	51	-1%	Meteorite	C	0.18	27	3200	8%	8	8%	-
Applic Blad	A	23	2170	121%	21	21	-1%	Five City	C	20	2877	15%	15	14	-1%	Meteorite	C	0.08	12	205	21	204	24%	-	
Arbor Dr	A	0.14	22	122	21%	21%	-1%	Figit A	C	0.50	8	1116	19%	14	16	-	Meteorite	C	0.50	9	1484	25%	212	212	-
Archivite	A	26	227152	10%	9%	10%	-1%	Fid Alarms	C	0.09	12	682	34%	34%	34%	-	Meteorite	C	1.31	11	383	37%	274	274	-
Arctech x	A	0.24	16	107	10%	10%	-1%	Fid Cpt	C	0.10	15	268	24%	24%	24%	-	Meteorite	C	1.31	16	107	10%	103	103	-
Argonics	A	0.84	7	18	25%	27%	-1%	Fid Ftrids	C	0.08	15	44	15%	15	-15	-	Meteorite	C	0.37	5	373	5%	4%	4%	-
ArtemisF	A	0.20	27	5	22%	22%	-1%	Fid Ftrids	C	0.08	15	44	15%	15	-15	-	Meteorite	C	0.01	27	250	18%	18	18%	-
Arteria A	A	0.48	16	56	16%	15%	-1%	Fid Ftrids	C	0.08	15	44	15%	15	-15	-	Meteorite	C	0.20	37	523	12%	10	10	-
Artek	A	0.04	18	15	31	31	-1%	Fid Ftrids	C	0.08	15	44	15%	15	-15	-	Micronet	C	2.00	10	2921	45%	48	48	-
ASK Copy	A	42	2255	17%	16%	17%	-1%	Fid Ftrids	C	0.08	15	44	15%	15	-15	-	Micronet	C	21	162	17%	17	17%	-	
Aspectsoft	A	37	454	12%	11%	11%	-1%	Fid Ftrids	C	0.08	15	44	15%	15	-15	-	Micronet	C	8	5	5	5%	5%	-	
AssemChem	A	183	10	17	10%	10%	-1%	Fid Ftrids	C	0.08	15	44	15%	15	-15	-	Micronet	C	7	105	4%	4%	4%	-	
AST Ranch	A	9	2168	17%	17%	17%	-1%	Fid Ftrids	C	0.08	15	44	15%	15	-15	-	Micronet								

#### **AMEX COMPOSITE PRICES**

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4 pm issue November 13

AMEX COMPOSITE PRICES												4 pm close November 13																									
Stock	P	S	Stk	High	Low	Close	Chng	Stock	P	S	Stk	High	Low	Close	Chng	Stock	P	S	Stk	High	Low	Close	Chng	Stock	P	S	Stk	High	Low	Close	Chng						
Acme Car	0	10	5½	5½	5½	5½	+1	Champion	63	180	7	8½	7	7	-1	Health Cr	10	82	14	15½	13	Olsen x	0.32	22	111	35½	33½	33½	-1	Oliver	0.10	22	123	15½	15½	15½	-1
Air Expr	0.14	17	27½	27½	27½	27½	+1	Charles	0	3620	12	12½	12	12	-1	Holco Op	4	71	12½	12½	12½	Papen S	0.10	22	123	15½	15½	15½	-1								
Affin Inc	1	60	11	11	11	11	-1	Chair Pdt	0.01	48	5½	5½	5½	5½	-1	Holmes	4	2602	3½	3	3	Parf	0.05	15	114	147	147	147	-1								
Aigle Ind	312	106	31½	31½	31½	31½	-1	Common	0.42	32	22	14½	14½	14½	-1	Holmes	1	1027	2½	2½	2½	Phil AD	0.28	16	207	30½	30½	30½	-1								
Air Pe	0.50	13	10	10½	10½	10½	+2	Computer	7	60	11	11½	11½	11½	-1	Homanit	50	620	9½	9½	9½	Praycey	1.10	17	79	92½	92½	92½	-1								
Allstate A	0.54	50	5	22	22	22	-1	Cook Pdt	24	36	4½	3½	3½	3½	-1	Homanit	50	620	9½	9½	9½	Ry Gass	0.10	19	3	10	9½	9½	-1								
Almond Cpt	0.10	81	2300	8½	7½	7½	-1	Cross A	1.25	18	22½	20½	20½	20½	-1	ICH Corp	5	7282	4½	4½	4½	PMC	0.80	15	50	11½	11½	11½	-1								
Am Expl	6	470	2½	2½	2½	2½	-1	Cross C	0.40	10	10½	12½	11½	11½	-1	Indstryal	0.34	22	6	8	8	Pruducts	0.10	1	79	1½	1½	1½	-1								
Anal-Opt	12	90	5½	5½	5½	5½	-1	Cubico	0.55	15	19	17½	17	17	-1	Int Mobile	10	711	6½	6½	6½	Price Cr	0	128	3	11	11	11	-1								
APT Int	0.80	1	195	3½	3½	3½	-1	Cutter	7	20	2½	2½	2½	2½	-1	Intermark	0	78	4	5½	4	RBBW Crp	2	794	3	6½	3	3	-1								
Arctotech	11	78	4½	4½	4½	4½	-1	DI Inds	6	70	12	10	10	10	+1	Int Teleco	0	45	5	5	5	RockEnv	12	11	7½	7½	7½	-1									
Artari	1	14	1½	1½	1½	1½	-1	Diamond	7	20	4½	4½	4½	4½	-1	Jet Serv	57	885	21½	20	20	SW Corp	1.95	6	14	32	32	32	-1								
Asicell B	1	12	1½	1½	1½	1½	-1	Duplicor	0.48	21	8	10½	10½	10½	-1	Klent Cr	7	6	5½	5½	5½	Shibboleth	44	8	15	14½	15	15	-1								
Assist A	5	26	15½	5½	5½	5½	-1	DUN Corp	80	1105	13	13½	13½	13½	-1	Kirby Exp	16	345	11½	11½	11½	Start El	15	1120	6½	8½	8½	8	-1								
ATC Class	0.52	1	42	2½	2½	2½	-1	Easton Co	0.46	8	28	10½	10½	10½	-1	Labege	20	32	1½	1½	1½	TII Ind	12	25	1½	1½	1½	1½	-1								
Attent A	0.04	82	137	4½	4½	4½	+1	Eastgroup	1.52	23	2100	14½	14½	14½	-1	Laser Ind	34	8	8½	8½	8½	Tel Prod	0.40	35	11	11	11	11	-1								
Berry RG	9	22	7½	7½	7½	7½	-1	Echo Bay	0.07	48	2800	4½	4½	4½	-1	Lei Plaza	4	5	1½	1½	1½	Telldate	0.22	51	265	30½	30½	30½	-1								
Batt Ind	0.49	16	22	14½	14½	14½	-1	Ecolite	0.32	11	33	13½	13½	13½	-1	Lion Crp	0	274	1½	1½	1½	Thermex	108	55	9½	9½	9½	9½	-1								
Battell CR	0	5	¾	¾	¾	¾	-1	Ecolite	0	134	6	6	6	6	-1	Lions Ind	12	114	23½	23½	23½	Thermon	29	170	65½	72	72	72	-1								
Bergman	0.40	13	47½	1½	1½	1½	-1	Ecolite Ser	4	491	1½	1½	1½	1½	-1	Lynch Crp	15	4	224½	224½	224½	TimeCrty	0.40	43	455	42	42	42	-1								
Beth Men	1.00	43	8	22½	22½	22½	-1	Fab Inds	0.50	10	82	27½	27½	27½	-1	Mater-Tec	11	40	14	15½	13½	Time Mkt	0	32	1½	1½	1½	1½	-1								
Bell - Rel A	8	20	17½	16½	16½	16½	+1	Fab Inds A	3.20	33	11	63½	63	63	-1	Meccano	19	133	28	25½	25½	25½	Time Mkt	7	56	8½	8½	8½	8½	-1							
Bount J	0.45	78	190	9½	9½	9½	-1	FabTechNet	0.20	19	7	5½	5½	5½	-1	Media A	0.44	22	200	17½	17½	17½	Time Mkt	50	223	11½	11½	11½	11½	-1							
Beller Ph	7	907	9½	9½	9½	9½	-1	Fluor	0.48	14	319	30½	30½	30½	-1	Men Crp	16	3	4½	4½	4½	Unifoods A	4	25	1½	1½	1½	1½	-1								
Bever Valley	2	6	8½	8½	8½	8½	-1	Forrest Ls	82	1461	47½	47½	47½	47½	-1	Mood A	15	25	25	42	42	42	Unifoods B	0.40	4	10	4½	4½	4½	-1							
Bowmer	15	115	2½	2½	2½	2½	-1	Frequency	450	2	4½	4½	4½	4½	-1	MSR Expl	2	65	8	8	8	Unifoods C	0	10	1½	1½	1½	1½	-1								
Bowme	0.30	30	23	14	13½	13½	+1	FreelCom	21	3737	4½	4½	4½	4½	-1	Nat Powr	10	62	3½	3½	3½	WPNET	1.12	17	207	13½	13½	13½	-1								
Brasca A	0.86	24	838	11½	d11½	11½	+1	Gent Pdt A	0.68	17	540	20½	20½	20½	-1	New Line	25	270	11½	11½	11½	WPNET	0.62	8	40	21½	21½	21½	-1								
BN Corp	0.18	21	748	12½	11½	12½	+1	Giant	0.70	12	527	18½	17½	18	-1	NY Times	0.38	71	278	27	27	Westherd	120	124	6½	8	8	8	-1								
Bil Engg	16	434	15½	15½	15½	15½	-1	Goldfield	2	48	5½	5½	5½	5½	-1	NY Times	0.17	55	10	10½	10½	Westherd	62	8	40	21½	21½	21½	-1								
Blprop	3	26	¾	¾	¾	¾	-1	Grampass	8	5	5½	5½	5½	5½	-1	NY Times	2	13	4½	4½	4½	Westherd	12	20	12½	13	13	13	-1								
Blanc Marc	0.23	23	10	10½	10½	10½	-1	Gulf Cos	0.34	5	105	3½	3½	3½	-1	NY Ryan	9	18	1½	1½	1½	Westherd	0.15	10	62	25½	25½	25½	-1								

Q1	Q2	Q3	Q4	YTD	Q1	Q2	Q3	Q4	YTD	Q1	Q2	Q3	Q4	YTD	Q1	Q2	Q3	Q4	YTD	Q1	Q2	Q3	Q4	YTD				
Autodesk	0.48	17,1028	354	35,354	-	Fluor	21,2878	23	2212	23	Microsoft	25,5051	503	8212	8212	-	Tyco	6,1867	61	314	314	-	-	-	-	-	-	
Autodata	0.48	17,1230	54	53	-	Flexiprep	0.40	2	15,14	2	Mitachem	1,00	19	523	167	-	Tyco Mfg	8,2271	4	312	312	-	-	-	-	-	-	
Axonite	23	134	37	35	-	Flow Int'l	20	304	52	51	+%	Mitsubishi	1,00	6	1,680	17	-	T-Cell Sc	22,628	71	71	71	-	-	-	-	-	-
Axonite Co	0.92	8,5775	11	1	-	Fox Holz	4.70	5	17,8	27	Mitsubishi	0.49	22	214	194	24	Trove Pr	0.72	17	200	404	-	-	-	-	-	-	
Aster Cpt	18	2,930	7	6	-	FoodLink	0.11	10,1455	84	84	+%	Mitsubishi	0.49	2	243	24	-	Trove Pr	0.72	17	200	404	-	-	-	-	-	-
B E F T B	0.00	7	37	34	-	FoodLink	0.11	14,3875	94	84	+%	Mitsubishi	0.52	12	1046	153	15	Tyco Mfg	8,2271	4	312	312	-	-	-	-	-	-
Bathgate	18	113	20	19	-	Foremost	1.08	13	31	168	-	Mitsubishi	0.52	15	12	11	-	Tyco Mfg	8,2271	4	312	312	-	-	-	-	-	-
Bauer H	20	285	15	15	-	Foremost	1.08	15	1112	111	Mitsubishi	0.52	15	12	11	-	Tyco Mfg	8,2271	4	312	312	-	-	-	-	-	-	
Bauer J	0.06	21	4047	120	-	Foster A	0.30	7	8	174	-	Mitsubishi	0.52	15	12	11	-	Tyco Mfg	8,2271	4	312	312	-	-	-	-	-	-
Bauer S	0.00	8	55	55	-	Foster A	0.30	7	8	174	-	Mitsubishi	0.52	15	12	11	-	Tyco Mfg	8,2271	4	312	312	-	-	-	-	-	-
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Banchis	13	78	25	25	-	Foster A	0.30	7	8	174	-	Mitsubishi	0.52	15	12	11	-	Tyco Mfg	8,2271	4	312	312	-	-	-	-	-	-
BankSouth	0.52	844	12	12	-	Foster A	0.30	7	8	174	-	Mitsubishi	0.52	15	12	11	-	Tyco Mfg	8,2271	4	312	312	-	-	-	-	-	-
BankUSA	0.00	6	56	24	-	Foster A	0.30	7	8	174	-	Mitsubishi	0.52	15	12	11	-	Tyco Mfg	8,2271	4	312	312	-	-	-	-	-	-
BankWest	1.16	14	66	14	-	Foster A	0.30	7	8	174	-	Mitsubishi	0.52	15	12	11	-	Tyco Mfg	8,2271	4	312	312	-	-	-	-	-	-
Bank One	0.54	18	380	38	-	Foster A	0.30	7	8	174	-	Mitsubishi	0.52	15	12	11	-	Tyco Mfg	8,2271	4	312	312	-	-	-	-	-	-
Bank One	0.54	18	34	36	-	Foster A	0.30	7	8	174	-	Mitsubishi	0.52	15	12	11	-	Tyco Mfg	8,2271	4	312	312	-	-	-	-	-	-
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## MONDAY INTERVIEW

# Monarch in a race with time

King Hussein of Jordan speaks to Hugh Carnegy and Mark Nicholson

**S**eldom in the 40 turbulent years of his rule has King Hussein, who turned 57 on Saturday, been more popular with his people, more confident in his political touch or more dominant in his small kingdom's affairs.

Yet, for precisely these reasons, seldom in recent times have the Hashemite kingdom's 4m Jordanian and Palestinian people looked with more trepidation towards their country's future. Since it became known in August that their monarch was suffering from cancer, Jordanians have faced with concern the prospect of losing the man who has ruled them since assuming the throne, a boy-king of 16, in 1952.

A measure of King Hussein's popularity, and of the fears raised by intimations of his mortality, was his homecoming in September after cancer surgery in the US.

Hundreds of thousands swarmed Amman's streets to greet him, turning the 10-minute drive from Marja airbase to the palace into a crawling 3½-hour tour. Cheering crowds prompted the king to abandon the passenger seat of the silver Mercedes chauffeured by Crown Prince Hassan, his brother and heir, and perch on the car's bonnet, without a security guard in sight.

Few, if any, Middle Eastern leaders would dare appear so vulnerable in public – nor indeed would King Hussein have done so until perhaps this year. Few, certainly, could draw such crowds unbidden.

But since the Gulf war in early 1991 when he ignored international opprobrium to voice his subjects' condemnation of the west's action against their Arab neighbours in Iraq, King Hussein has enjoyed enormous popularity.

"I'd always prayed to God that future generations would cast a judgment in favour of us and not against us," he said, in his first interview since returning from the US. "But to live through an experience like that and see that kind of warmth and feeling and concern in my lifetime, I never expected, and never believed that I deserved it."

Sipping Peps, against medical advice – but these days not smoking – King Hussein appeared fit and confident in his palace office. He is, nonetheless, as he stressed with unexpected frankness in a sombre televised address earlier this month, intent on preparing both Jordan and himself

for his eventual death. His 45-minute speech at moments sounded like a self-penned obituary.

During the interview he expanded on a central theme of the speech – his desire that Jordan should evolve into a model democratic state in the Middle East, a development he clearly believes is now sufficiently secure and popular to encourage successfully.

"This area has suffered time and again because of individuals, because people came to power in this region and decided to destroy everything that anyone had done before and tried to create something in their own lifetime," he said.

"Whatever remains of my life has to be dedicated towards consolidating more of the foundations, the grounds for democracy, for human rights, for sharing responsibility and for pluralism," he said.

I think there is a greater need in this society and in the region for an example to be made, and I believe that Jordan can be an example."

This stance is viewed cynically by Jordan's neighbouring leaders: men such as Saddam Hussein of Iraq, Hafez al-Assad of Syria and King Fahd of Saudi Arabia. They distrust the king's trumpeted commitment to democracy – seeing it as little more than a ploy in a greater preoccupation of entrenching Hashemite authority over a country whose legitimacy they are loath to accept.

King Hussein says he is leading Jordan towards a constitutional monarchy, with greater emphasis than before on the constitution. In the past three years he has done much to oversee this, holding elections to the lower house, forging a new National Charter, and allowing the formation of political parties for the first time in nearly 40 years.

But the king admits that it may take several elections before popular and broadly based political parties emerge. Many Jordanians, indeed, are sceptical that the monarch really envisages full democracy. The trial of two Islamic MPs last week, charged with two accomplices of plotting to overthrow the state, was read by many as a signal that democratisation will be tightly controlled, especially where any threat of Islamic revolution is perceived. Both were found guilty and sentenced to 20 years' hard labour.

The post-Gulf war efforts of the US, and a new Labour government in Israel, may have brought real peace closer than ever in King Hussein's lifetime. He recalled standing at Abdallah's side when Jordan's founding monarch was assassinated at Jerusalem's Al-Aqsa mosque in 1951. He, Hussein, had inherited the Hashemite mantle, and would hand it on to future generations, he told the nation.

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## I believe that Jordan can be an example'

1957 when Jordan lost control of east Jerusalem and the West Bank, defeated near-insurrection by the Palestine Liberation Organisation in 1970, repulsed a simultaneous invasion by Syria and, recently, emerged from the Gulf crisis more popular at home than ever.

The king is aware of the dangers. "My concern all along, I have warned time and again, is of Jordan becoming a battleground for forces outside its immediate area. This is where we went haywire in the 1960s and I hope this will never be repeated," he said, referring to the unrest during the early years of his rule which was aided by the Arab nationalists of Syria, Iraq and Egypt.

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